NATURAL ECONOMIC LAW

HENRY RAWIE

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SCIENCE OF VALUE

NATURAL ECONOMIC LAW

BY

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PREFACE

About thirty years ago I accidentally stumbled upon one of the most important truths in the world of science; the key to natural law in the social and economic world; the key to natural laws that control the growth of civilization. To unlock the door of science with the key was a work of research into millions of facts,—a work almost without end.

Systems of finance and political economy have been built around a false premise, and no matter how logically a writer may have reasoned he could not arrive at a right conclusion from his false starting point, no progress was made in unraveling industrial problems, or in abolishing a slavery of labor since the time of Aristotle.

The thinking world has been chasing solutions of labor and capital, money and wealth, for centuries, only to see one nation after another rise to wealth and power, to fall in ruin and barbarism.

Taking a wrong starting point we travel ever so far and in any direction, but never at any right conclusion; such has been the case with our social and industrial problems.

The wrong starting point is found in saying labor is the *Cause* of the *Value* of goods and of *Property*, and the market price is made by adding

up various costs of labor from producer to consumer. The self-evident fact is in plain sight, namely, instead of labor being the cause of value, labor cannot be employed in any line of production unless value will attach to the product in the market, unless more value will so attach than was spent as cost for labor. *Value* is the *Cause* of *Labor*. The occupation of labor is a result of market values. The common mistake is found in treating labor as a cause of value, treating value as an effect of labor in spite of millions of self-evident facts to the contrary.

Some years ago the Austrian School of Political Economy discovered the prevailing theory of value was wrong, and asked the question—"if labor is the cause of value what then is the cause of the value of labor! Will you chase value around a circle like a cat chasing its tail?" The Austrian School produced a new theory of value seeking to find a cause of value outside of labor in what they called—marginal utility, but with no more success in solving problems than the theories they attacked, because value is itself a final cause.

Labor works because value will attach to a product from some outside source, and it is not permitted to work unless more value will attach to a product in the market than the cost of such labor. The self-evident, true premise is just the reverse of the accepted theory. Value is the

primary economic cause, while labor is but one of its principal effects. Value has no cause the human mind may conceive; it is one of the great inscrutable creative powers of the Almighty under the control of natural law, like heat, light, electricity, and life itself; we cannot discover its cause.

Value is the cause of labor in all its many occupations. It has created the intelligent laborer from the savage, and it has developed civilization as a living organism under a superhuman plan of which man has ever been unconscious. Value directs the way labor must go, the way capital and wealth must develop, its laws come to us in the circulation of money.

It may not be clear to the mind just how a natural law may compel labor to work at tasks it does not like, to work out a plan for the general good when it seeks only to gratify its selfish desires. But when we recognize the circulation of money as being value in action, under the control of natural law, it is not difficult to see that without money labor will starve in a civilized community, that the control over money by natural law directs labor in the way it must go.

The capitalist and employer has no such power over labor as he is given credit for having; he has no mine, or cave, or mint from which to draw unlimited supplies of money to pay impossible wages, which are limited and controlled by natu-

ral law. The employer must sell something that labor sends to market to get money to pay labor and sell it to the mass of consumers who are mainly the mass of laborers. What an employer will have labor produce is not decided by his own will and caprice; he has no control over the market price at which a product may sell, except to a very limited degree. What labor may produce in great quantity and variety is decided by the world's markets, and by the circulation of money among consumers in each country. Prices in the world's markets being under control of natural law, it follows that prices in lesser markets are under similar control, but with more room for variation.

Vast systems of natural law establish a general sea-level of prices and general rates of wages according to a standard of living which is the basis of every civilization. Such laws cover a world of facts, and are like laws of gravity that establish the weights of all things on the surface of the earth, and hold the sun and planets to their courses.

The reader is not directly interested in the great general scheme of progress for the human race during centuries of the past, and for centuries of the future, but he is deeply concerned with the laws that fix the terms of his daily life, laws which distribute money upon which his daily life depends.

The individual finds his family life tied up to some general plan for the good of mankind, he is forced to suffer wars, panics, hard times, disease, poverty, vice, crime and insanity because human law fails to harmonize with the natural order, and he wants to know how the nation to which he belongs, may conform its own system of law to the world system of civilization.

Because physical science has been quite successful in discovering and applying natural law, there seems the best of reasons to expect that science will discover and apply natural economic law, but to this day, all such efforts have resulted in total failure, and no discovery of a single law for natural order in the social world has been established.

After natural economic law has been discovered, the failure, on the part of physical science, becomes clear for the simple reason that economic laws relate to living things, to growth and movement of a social organism, while physical laws deal with the activity of non-living matter and forces.

In the physical world, for example, a natural law fixing the weight of one cubic foot of any substance will give each minute particle of it the same proportion of weight, but such is not the case with living things; there is no such fixed relations between life and the substance with which life works.

In the social world prices are like weights and are under the control of a natural law like gravitation; yet the price of any class of goods may change in either direction, and must be permitted to change in either direction, and must meet demands for changes in the living organism. There is, for example, a natural law governing the length of human life, which probably controls the birth rate. By this law we calculate life insurance with great exactness and know almost to a day when the last member of a class of one hundred thousand insured will die, but we are helpless to say when any one of that group may die.

General economic laws govern great masses of facts, which divide into classes under other laws, prices for each class of goods and different lines of goods and wages for different classes of labor seem outside the law, but are on the whole under its control.

New York City, March, 1920.

CONTENTS

CHAPTER 1

A World Disease..... 11

CHAPTER 2

Labor and Natural Law..... 27

CHAPTER 3

The Cost of Living..... 43

CHAPTER 4

Profit and Interest..... 53

CHAPTER 5

Credit Money..... 69

CHAPTER 6

Circulating Money..... 92

CHAPTER 7

Counterfeit Circulation..... 110

CHAPTER 8

Gold..... 127

CHAPTER 9

Banking..... 139

CHAPTER 10

Why Money is Stringent..... 163

CHAPTER 11

Parasite Evolution—A Theory of Development by Joy-Cells..... 175

Chapter 12

Landlordism..... 194

Chapter 13

The Way Out..... 213

NATURAL ECONOMIC LAW

CHAPTER 1

A World Disease

Two very common sayings are used to excuse our faults, "What we don't know can't hurt us" and "We cannot lose what we never had," but in the most important affairs of life what hurts most is what we don't know, and we lose most by not getting what we never had. It becomes extremely difficult for a new science to tell the people what they don't know, and explain to them how they may get what they never had in the history of the world.

When the Czar's Government in Russia was destroyed, together with its police system, courts and laws, its oppression and tyranny, the people were seeking—they knew not what—trying to recover what they never were permitted to have from the good things in life.

The world was surprised at the quick revolution in Russia overturning the autocracy of the Czar with so little loss of life, surprised at the failure of the ruling class, with an army in the field, to defend its power and privileges.

The world rejoiced along with the wild rejoicing of the Russian people, at the prospect of creating

a new and beautiful world where misery had been the lot of tens of millions for centuries, to see liberty and plenty for its people, with the opportunity to plan each life along lines of justice and happiness.

In a short time the whole scene changed in Russia, and the world outside of Russia, stood aghast at unforeseen results, for something more than the old régime of the Czar had fallen; the structure of civilization was torn apart, the savage was no longer under the control of law and order.

It is doubtful if any student of politics could have predicted the quick change of events in Russia after the first revolution, the civil war that followed from counter-revolutions seeking to put fatal theories in practice.

What is the protective influence surrounding civilization that prevents looting of wealth, murder and wholesale crime?

What gave way in Russia to unloose the Barbarian brute in a vast population, to permit thousands to die from murder and starvation, and as many more from disease that otherwise would not have appeared?

The Government of Lenine was not without a great ideal which it hoped to realize, although it must swim in blood of the common people to reach an end for Government. The ideal was to abolish private property, to make one common plan for the government of the whole world,

which has been the religious ideal from the beginning of an organized church and system of religion.

The ideal of Lenineism was to secure the rule of the moneyless man, although it would put an ignorant brute in power and give reign to all the thieving and murderous instincts of the dormant savage. What had fallen out in Russia was the long age institution of private property, upon which the circulation of money and the progress of mankind is based by natural law.

It was not the rise of Lenine and Trotzky to power that destroyed private property in Russia, it was the abuse of private property under the Czar's Government, the failure of private property to carry forward its beneficent functions for the welfare of the masses; it was a concentration of wealth to a small class of absurdly rich property owners.

A few in Russia realized it was not the mere rule of an aristocracy that was destroyed, but no one realized that a world's civilization was in danger of the torch, that private property, with its roots buried deep in the past, was to be torn out of the living body of the social organism.

A few fanatics in Russia, as in other countries, preached a religion for the worker, promising wealth with ease and luxury, by taking wealth from the rich, and they found the ground prepared for a new religious crusade and for a new

form of government, with an army ready for the men who had courage to seize the power.

A civil war against private property fills the world of property-owners, outside of Russia, with a fearful distrust in their own working classes, a fear that a similar crusade of religious fanatics cannot be kept from spreading over all other governments, and the greater the wealth, the greater the danger.

Fanaticism in Russia is not led, as many suppose, by ignorant and brutal men; on the contrary it called out leaders who had devoted their lives to a study of economic theory; men who were university graduates and library rats; men without business experience who spent years in the study of false and fatal theories of human affairs.

There were many in Russia who owned small tracts of land, and other property, and the fanatics who sought to abolish capitalism, feared the small owners would rush to combine with those of great wealth, and would restore the capitalistic system. On this account there was a wide persecution and execution of all unbelievers against the new religion, who owned property, or who did not work with hands and muscle for daily wages. Murder by wholesale and famine which starved hundreds of thousands came to Russia as it has in other religious wars.

The civilized world, outside of Russia, trembles in fear, not so much about what is taking place in that distracted land, because its misery should make all other people recoil from a like experiment, but in fear that other attempts at abolishing profits or experiments in Government ownership will have identical results.

It is the chain of events in Russia all have reason to fear; the chain that once starting cannot be stayed until bloody revolution and its evil consequences have run their course of murder and pillage, when unbelievers in a new religion have been silenced or destroyed.

Can this tidal wave, now pulsing among the laboring classes in all countries be held back in time? Can reforms that will satisfy the demands for the future, and satisfy the natural order, be instituted in time? or will the wealthy classes seek to hold the old order of unjust distribution until civilization is buried in one common grave of anarchy?

The question in the mind of every student of today is, why the first revolutionary government of Kerensky, having the approval of a vast majority of Russian people, could not maintain its power, with a great army in its control? Why it was overturned by a mere handful of fanatics led by a few sailors and soldiers?

When a people hold a common belief concerning any fundamental institution, and by that

belief demand the institution shall be abolished, as was the case with the wealthy class in Russia, when property as the source of power has lost its usefulness in the body politic, vast changes may come from forces that seem of no importance at the time.

A people come to believe a false theory about property on account of the contrast between the idle luxury of the rich and the hard lot of the toiling millions, on account of the failure of wealth to relieve the distress of common people, and they seek to destroy wealth which seems to be the cause of poverty among laborers.

No one who has made a study of Socialism and its theory of capitalism, will deny that the present government of Lenine is putting such theories to a logical conclusion, and to a practical application in the affairs of government. In seeking to abolish capitalism the theory makes no distinction between the small owner and the millionaire; property as an institution is attacked, and if the small owner stands in the way he must be exterminated.

Lenine and Trotzky have many faithful defenders in other countries, who recognize that owners will fight to retain their property. The small owner will fight harder than the few rich, and therefore they excuse the rivers of blood that flow in Russia and the famine that kills more than the war. It is the small owner who

is the bulwark of private property; it is the failure to add to the number of small owners, when wealth concentrates, that brings the misery and discontent which ends in revolution. If private property is to be abolished on account of some fatal theory, then the small owner must be exterminated. Such is the logic of the theory of Socialism.

What foundation belief combines millions into societies of socialists, anarchists and syndicalists over the world against the owners of private property, and against capital in private hands? The belief that men become rich by robbing the poor, by enslaving the vast body of workers, by denying them a living wage, forcing them to die before their time from over-work and underfeeding.

Fanatics say the rich cannot be restrained by law because wealth is all powerful; it controls the state and it makes the law, hence the only salvation for labor is to abolish, not only the rich but all private owners of wealth and capital.

According to theory when the cause of poverty has been abolished a Paradise for labor must automatically follow, and the defenders of Lenine over the world, seeing the completeness of his work of murder, and his control over property, decide that a Paradise has been secured in spite of truth and fact to the contrary.

No one will deny that somehow the concentration of wealth to the hands of a small class

has been responsible for the downfall of civilization in the past. The same evil is now threatening all the world, and a just distribution of wealth to millions of small owners, is the true remedy.

Admitting the concentration of wealth to a millionaire class is an evil that will destroy civilization; it does not follow that we cannot secure a natural and just distribution, and must make fatal experiments in government ownership.

That the millionaire class must be abolished may be admitted; in fact, must be admitted if our civilization is to be saved, but ruthless changes of wealth can do no good and must work harm; we can only cure a long standing disease as fast as the patient may return to normal health.

A rise of the savage to civil life came from the institution of private property, and from the fact that some land was more fertile than other land, which would give an easy living to its owner, but this difference in fertility is wholly ignored by socialist theories, although all progress and all life, human, animal, and vegetable depends upon it.

When it was discovered that a simple cultivation of the soil would greatly increase supplies and give more than the cultivator could himself consume, property took its root in the land; the land-owner became the lord of the earth, and slaves, captured in war, was the first labor to

be forced to work the land for a master and employer.

No matter how much capital and machinery a people may use, its use will depend upon the fact that only a small part of total labor need to work upon the fertile land and supply all the people with a living, that half the total labor may be employed at other work.

The problem of the world has always been to find work for the labor set free from providing its own living. When it was clear that fertile land under cultivation would give the owner a living without work, and would allow a surplus living with which to employ other labor, it followed that only fertile land would be used, and a margin of fertility was established which became the foundation of civilization.

Lands must produce more than the living of the labor that improves and cultivates them, and poorer lands will not be cultivated; hence the labor, cut off from the land, must either work for the owner of fertile land, work poor land, or migrate.

The land-lord controlled, not only the labor on his own land but also the labor that must live upon the surplus, and thus slavery was introduced by forcing savages to become laborers and provide an easy living for the property owner.

Private property has its birth in slavery, war and murder, and is based upon the fertility of

soil, but natural social law was not then in power, and mankind was subject to the law of brute creation where the strong will take the life and living from the weak.

It was a long time in the history of the world before any advance was made above land-owning laws and governments; the church and state were all based upon the power given by land owning; the chiefs of state and church were rich landlords, while all the labor was slave, usually a conquered people, and even merchants and educated classes were long held as slaves.

The owner of the land could not consume all the surplus living by his own demands, could not use it all by employing surplus labor to improve his land. Trade was developed to supply the rich land-owning class with a higher standard of living, and thereby trade became a basis for the advance for civilization by making a better standard of living, the hope of enslaved laborer.

The first natural law to assert its power is found in the cost of surplus labor to the land-owner, which cost creates a sea level price for a living, a cost level for all prices, both for goods and capital.

When the landlord employed labor to build, or otherwise improve his land, the product of this surplus labor had a cost of two units of living; it cost the living of the labor working the

fertile land and a living for the other labor cut off from the soil; this fact made a price for goods and capital consists of two units of living, or two units of money cost, when money is limited to buying a living.

The landlord had an enormous surplus he wished to exchange it for goods from other lands; and a cost of two units of living for other goods forced him to sell his surplus at a low price and from this market price profits were created. The low cost of surplus living from fertile lands measured by two times cost in other goods made trade and commerce profitable and introduced money which could then pay for itself out of the gains or difference in costs from a variety of products.

When money was introduced the power of the landlord over labor was divided with merchants, with money-lenders and with other employers because the natural law forced a price for surplus labor equal to two units of living. When the landlord could not himself employ surplus labor he had to pay the gain to other employers by the sale of his surplus at a price which gave two units of living and gave to other employers the same profit from labor the landlord himself received when improving his own land.

In whatever form changes of government appeared in the past, from war or religion, land-owning was at the foundation, seeking to change the ownership of property from one class in power

to the class-seeking power. The modern labor movement is the same force at work, seeking control over property for the power it confers, uniting millions by the hope that they at last will obtain the property and the power wealth confers on its owner.

There is a natural law working at the foundation of every war and revolution, a law seeking to change the ownership of wealth, seeking to lift the mass of the people to a higher standard by forcing ownership to include more classes of people and to widen distribution until millions of families shall enjoy the blessings of wealth.

Nature makes it plain to a stupid man that he can live with the least labor where the land is fertile and where the climate is favorable. Civilization concentrates population on belts of the most fertile lands in the most favorable climates, where the least work will provide the most abundant living.

When money was introduced so that a people must buy its living with money, the natural law limited the quantity of money that buys a living, and forced money to divide labor into great classes one of which provided the total living, setting free one class with its living supplied from using the most fertile land.

Two units of living had to be provided, one for the worker on the land, and a surplus for the worker cut off from the land, and thereby was

created a sea-level standard price for all goods at two units of living, permitting one unit of living to measure what we call profit, and be equal to half the cost of living for the whole people.

Here is where confusion in theory originates on account of the single labor cost of goods and the double cost of the same goods when two units of living must be supplied.

If only the labor directly paid for producing goods is considered, it leaves other labor without hope of getting a living. Lawyers, government, servants, doctors, writers, printers, actors, artists, and the like would not be able to live unless the retail price of goods carried the money to buy a living for the workers who do not produce what they consume.

When labor working in factories, on railways, street cars and the like claims all the money in wages which the public may pay for goods or service; such claim becomes impossible because the wages of other labor must be included in the market price, and must be separated from the cost by taking off what we call profit, which is but a measure of wages for other labor.

When the socialist theory asserts that profits may be included in the wages of the worker, and when it seeks to have organized labor lift its wages to include profits, it puts other labor out of work, and puts the money out of circulation that would pay other labor.

The false wage theory of Lenine in Russia is the main cause of his failure to start industry. His radical attempts to pay the factory worker the whole selling price of the factory product and destroy profits of capital, succeeds only in destroying the wages of other labor along with idle factories and ruined industry.

The railway, factory, and farm improvements of a country consume vast quantities of past labor that has been crystallized into what we call capital, but capital demands present labor, not only to operate it, but to keep it in repair, to rebuild and improve it, and to create new forms of capital.

How is the city consumer who depends upon capital construction and capital operation, to buy his living with money unless the selling price of goods will hold the money in the city which its population must use to buy its living.

The selling price of any labor product must be high enough above its own cost to include at least one other cost of living for the labor that has its living supplied. Buying from the market what labor sends to market demands that enough money must be provided to buy two equal shares. The money price in the market must carry the money with which all people buy goods; each class of goods must carry enough money to market them and carry the wages of other labor not paid for producing goods.

If it is true that each class of goods must carry a price that will distribute money to buyers, where does capital come in? What part of the purchase money that buys a living does capital supply? If goods distribute all the money to buy goods why need capital employ labor? This is the socialist position, and for that reason they expect to abolish the capitalist.

Capital does not now and never did employ the labor that sends goods to market. Labor employs labor by dividing into two great classes, one class producing all the living and the other class engaging at other work with money circulating to pay the wages for both classes independent of capital.

Capital brings past labor into coöperation with living labor which provides the living, and raw material for new construction. The value of past labor is most important in the progress of the world. If we advance above the savage, if we may have any leisure for higher things than a mere hand to mouth living, we must depend upon capital and upon the crystallized labor it brings into use.

In the United States in the year 1919 there was at least two hundred and fifty billion dollars worth of past labor called capital coöperating with present labor. There is a daily force of two hundred and fifty billion dollars worth of past labor assisting one hundred million cost of present

labor each day; such is the power and importance of capital.

But the Socialist asks,—"Shall the owner of capital enjoy the advantage of all this power without paying the past labor that produced capital?" The owner must pay labor according to natural law, but it cannot pay present labor; it can only pay through the distribution of wealth.

Capital has little power over present labor, and that little consists in getting a living from present labor without working, by taking a part of the surplus living from fertile soil.

Capital must pay labor, but must pay just as any buyer in the market pays for any labor product,—by buying it at its market price. In selling capital at a profit the natural law expects the demand for labor to become so great that wages will rise to a point where a surplus in wages will permit laborers to become the chief buyers of capital as they are the chief buyers of goods.

CHAPTER 2

Labor and Natural Law

When a nation suffers from strikes, wars, revolution, panics and hard times, when millions can find no work, when money refuses to circulate, its people are made painfully aware of the fact that a higher power than government is in control over the great issues that make or break a nation. When a people suffer from some violation of economic law, many will be exempt, and for that reason we seem to be without law in the social world, for we think of natural law as being a system of exact relations between all of its parts, without exception to its rule.

Natural law which governs the growth of living species from the lower forms of life, is now creating a higher man by means of what we call civilization, creating a new organism we call the body politic, and such natural laws for living things differ radically from natural physical laws governing the non-living world.

There is a very important difference between natural law in the physical world and the same law in the living world. The purpose of creating material things has been fulfilled, no more materials are to be created, every chemical combina-

tion for all time is provided for, forces and substances therefore have found fixed and unalterable relations.

In the world of living things on the contrary, the Divine purpose has not been fulfilled and changes are in constant demand. We are born, live and die in countless numbers, and it may be that changes from birth and death are to bring forth an immortal man who will live an immortal life in the objective world.

No man may doubt that his life and well being, so far as material comfort is concerned, depends upon a daily supply of money, to buy what he needs, but we are so familiar with daily spending that it passes without a thought, when in fact it is the greatest miracle of all time.

The delight in spending money is the chief delight by which mankind has moved upward and forward in the rise of civilization. Spending money is the motive power of progress. Nature neglects no lure that will make the market more attractive to the spender, with the full knowledge that when spending becomes a passion, producing will take care of itself.

The most important fact to get clearly in mind as we look upon the world is to see that spending money is the most important object in a man's life; without spending he dies, or becomes a savage. Spending money consists of two great quantities, which we may well call the money

for the rich and money for the poor. Money of the poor only comes to the man who works, and comes as daily wages, it consists in a supply of government coined or printed primary cash. The money of the rich, on the other hand, does not call for work or wages; it is money earned in the past, the value of which has been crystallized into capital that pays interest, rents or dividends.

The owner of capital finds a great quantity of money at his command in the banks of a country by which he may convert past labor, or value of property, into the cash that will buy anything in the markets.

One kind of money means a living for the spender by working for that living, while the other kind of money means a living by the spender without working, exchanging the work of past labor into a living derived from the present labor.

A living is a thing of primary importance, and the money that buys that living is under the exact control of natural law. The operation of natural law for the circulation of government, or cash money needs, therefore, our first attention.

The method by which money is forced to act its part in securing a living for workers is quite simple. A unit of money is a unit of value, and buys goods at an equal value; dollars worth of money for dollars worth of goods.

The cash of any country, no matter whether it is gold or paper, has the same general law

behind its value; it goes into circulation on being paid out to labor of every description, from ditcher to Congressmen, and is then collected from that labor by the sale of goods and services consumed in living, it is money devoted to buying a living by working, and can buy nothing but the living.

When a fixed quantity of money keeps repeating its movements by being paid to laborers as wages and spent for goods over and over again, that money thereby establishes a system of measuring wages for labor and prices for goods. Cash money, in such case, is obeying a natural law, for all we can understand about a natural law, is that it comes down to us as a system which measures equal forces and equal units in equal times for certain ends.

It is held, however, that units of money are not accurate measures, because costs of living change, and because prices vary in every possible way, but the whole quantity of money is a miraculous measure, and all the more wonderful by allowing changes in prices and wages, creating different foods which the body politic requires in its rise from a lower to a higher standard of civilization.

When money is paid out to labor as wages, the fertility of soil will determine a certain division in that money; labor will not be employed and paid with money unless the soil it works will produce more than its cost of living. Money

cannot be paid to other labor from the surplus of fertile land unless the product will sell for two units of living, one unit for the labor working the fertile land, and another unit for surplus labor.

When money measures wages and prices, the natural law establishes a standard for all wages by a standard cost for all living, but leaves classes of wages and classes of prices free to move above or below an established standard, like waves on the fluid ocean rise or fall from winds of demand above or below sea level.

When a quantity of cash is being paid out in wages and collected from labor in buying a living, that quantity will exactly measure the daily cost of living for all the people, and measure a daily wage to balance that cost of living. The function or circulation of cash is so limited, by natural law, that it can only pay itself out in total wages, which equal total cost of living, and use all the cash in so doing over and over again.

Money cannot come into use until savage tribes have a settled existence, learn to cultivate the soil, to trade by barter with other tribes. The natural laws that govern the rise in species up to man controls until higher laws can begin to develop a social organism by which the brute enters into a spiritual and civil manhood. Tribal government must arise before value will appear to give strength to the tribe by making living

easier, from cultivating the soil, and from trading with other tribes.

When money appears, it will automatically divide slave labor working the fertile land into two classes, one class providing all the living and the goods consumed in living, while another class will work at other occupations.

Money paid in wages seems to make no distinction between laborers, yet when wage money is spent in the market, it will be found that half of it was paid to labor working fertile land, while another half was paid to labor of other kinds who buy the surplus from the fertile land. By this division of money into two parts, the soil provides two units in cost of living and fixes a margin of cultivation or fertility by making half the money cover the cost of all the living, and the other half create a selling price above that cost from which profits arise.

When the whole quantity of cash is turning over as wages and is collected from the sale of a living, it follows that half the money is one cost of labor, and half is another cost; two dollars is paid to two classes of labor, one dollar being cost of living for two, the extra dollar being credited to the fertile land.

When the market is reached the two dollars become a demand for living that has a cost of only one dollar to supply, and money measuring this demand will establish a sea level price for

goods at two times cost measured by the wages of half the labor.

All our attempts to establish a cost for any class of goods in the market is bound to fail and may do great harm. No human mind has the power to calculate what any quantity of wheat, coal or oil has cost when it appears in the market where it must sell at a level price, coming from poor land or fertile land.

Great differences in fertility of soil, coupled with differences in power of machinery and labor may make one bushel of wheat on the most fertile land cost one-tenth as much as a bushel from land less fertile, or one barrel of oil may cost fifty thousand times as much from a poor well as from a well flowing thousands of barrels each day. Whatever margins of profit appears in the market between cost and selling price, it is necessary to remember it measures a fertility of soil above a mere living. When all margins of profit have been collected the total sum above cost will just balance the cash that was paid to surplus labor which buys the surplus and in so buying establishes a price above cost.

The price above cost must appear as profit because it separates the cost of living from the extra fertility of soil, and gives the surplus to a landowner, a gift having no labor cost.

No matter how great this free margin of fertility may be in special cases, its purpose is to carry

extra supply of cash, and to distribute the extra cash to other labor that must buy the surplus, but must find other work to obtain the money to buy its living.

When the Socialist attacks profits and would abolish them the fact should be called to his attention that he would abolish the inherent difference in soils, mines, and other natural resources, an impossible undertaking.

The body politic is a great mass-man having immortal life, while its units of human life come and go by birth and death in countless numbers.

The mass-man has a cost of living which it is the business of money to measure, making the living of each human depend upon the mass-living.

The mass-man demands steel for railways, machinery, lumber and building material, chemicals and countless goods that no individual consumes, but which are nevertheless a cost of living for the body politic charged up in the market price of goods which each individual pays for.

When oil carries a tremendous profit from a great difference in fertility of oil wells, such a profit only carries money because it can take the load the easiest and thereby distributes the money to the consumers of other goods.

The body politic demands a certain quantity of oil, wheat, coal, steel and the like, for the organic living and a part of the total money is used for each need.

The mass-man must have material for its living in quantities that change every day, and therefore the limit in quantity of cash money, forces demand to change from one commodity to another by changes in prices and profits and thereby keep the correct proportion in variety of supplies for the social organism.

The money to buy wheat will pay for a given quantity each year at a standard price, and should the crop be short the same wheat money will pay a higher price for a short crop, but should organic needs demand an increasing supply of wheat, the price will rise by taking money that was buying something else, the price of which must fall.

What can be more simple and clear than the simple manner in which cash measures the cost of living? What can be more stupid than the explanation given for changes in price by saying all prices and wages are regulated by a natural law of demand and supply.

Demand and supply is the action and reaction of a given quantity of money, paying wages that buy a living and reacting in prices for that living, but it is always equal and always opposite, and is not a natural law but a truism, a mere balance of equal force.

If a child were to ask what makes a railway train go, and the parent should reply it was by action and reaction, and the child would then ask what makes the railway train stop, and again

it meets the same reply,—"action and reaction," of course the child would be puzzled, and could not understand, so also are we all puzzled by the use made of supply and demand for explanations that do not explain.

When the public wants to know what makes wheat rise above a previous price, the answer is demand and supply. What makes it fall?—"Demand and supply." Why do wages remain low for common labor? Answer—"Demand and supply." When a law is proposed an ignorant press will shriek,—"Beware you are meddling with the great natural law of demand and supply," it is the reply to all complaints, to all problems

Is it any wonder the whole world is going mad with the failure of its intelligent classes to give the first glimmer of intelligence about social laws, about changes that must soon take place, braying like an obstinate mule concerning a so-called law of demand and supply?

Ruskin saw the need of light when he said the present ignorance of the press concerning economic questions, and the readiness with which trivial explanations were accepted was the greatest disgrace to the intellect in all history.

No matter what quantity of government or cash money a nation may have, it will act as a measure of the cost of living and then its function ends. The quantity of money may be so low that only half the people will have work; it

may be so poor in quality that trade will languish when it might be prosperous. The money a government must use will flow in the channel prepared for it without regard to human caprice or politics.

If the money of a nation is properly employed, and is of equal units of value, its circulation will fix its own limits, and should that quantity be doubled, the greatest quantity will measure the same living by lifting prices of goods all around the circle, or by putting more labor at work to increase supplies at the old level of prices.

The method by which a given quantity of government money fixes its own limits of circulation is quite simple, but it calls up most important forces connected with the life of the body politic.

In the United States, for example, at this time, —1919, the total supply of government money is about five billion dollars, and the total number of wage earners about forty-five millions, and this supply may be used as the best illustration available.

In the United States the circulation of government cash takes place by paying out a sum of one hundred million dollars every day in wages to about forty-five million laborers, scattering that money far and wide over the entire country.

It is quite evident that the hundred million dollars paid out in one day cannot be collected

the same day from total labor by the sale of a living. If work is to be continuous a supply, or quantity, of primary government money must be on hand to keep paying a hundred million dollars day by day until the spending of forty-five million laborers will release that sum day by day to be used the following days, and close the circle of rotation.

The five billion dollar quantity of United States cash takes about fifty days to saturate the demands for living money among all the people, it takes about fifty working days for the first day's supply to travel completely around the circle.

While it appears that one day's supply of cash is taking its time to travel around the circle, the fact is that no time is given, but the quantity is made so great as to have a supply on hand at all times to instantly buy goods, and to instantly pay labor without waiting.

By not allowing cash any time to circulate, it is forced to confine its functions to a simple channel of establishing a base standard of living, and a base rate of wages that will buy the total living. Money to supply raw material, to build capital, to distribute wealth and create a surplus for investment, must consist of another quantity known as bank credit.

The circulation of standard cash becomes the base for all activity in the body politic. Each

advance from a lower to a higher level comes from creating a higher living standard for the mass of the people, just as one species becomes higher than another in the scale, up to man, by having a higher standard of living prepared for it from lower species upon which it lives.

The importance of not allowing cash any time for circulation must be kept in mind, because units of cash, in human hands, become vital units of life in the body politic, and although cash has no time given it to circulate, it pulsates with life like units of protoplasm in any highly developed species.

The mind must get the fact clearly established that cash money measures daily existence, measures a life force for the body politic which we call —Value—and which is required day by day, to provide a living for the social organism, just as protoplasm, endowed with life, sustains our own bodies.

A daily sum of money pays for a daily expenditure of human life, and measures that human life by a daily consumption of goods taken from the markets.

The purpose of money is not to merely allow a people to live, for, unless they conform to a plan of civilization, nature will sacrifice human life by millions before an acquired standard of civilization is given up, and before a return to barbarism will be permitted; the species is what nature seeks to preserve, not the individual man.

Money is something vastly greater than the mere units of exchange for goods which our parrot-like authorities assume it to be. A unit of money in the hands of a spender is superhuman, for then it is a unit of social life, endowed with a conscious purpose; it creates markets and a standard of living.

In the very beginning of tribal existence, before money appeared the power to seize upon the most fertile lands became the most important power ever put into human hands, and has so remained to this day. The wars of civilization were fought to secure rich lands and other natural resources, and slavery arose to supply labor when a savage would not work unless he was made a slave.

The moment land was put under cultivation its fertility jumped by leaps and bounds; a population could then largely increase, and profits from slaves, taken in war, soon created a wealthy class of land-owners, but when money appeared the power of the landlord was divided with merchants, employers, and money lenders, and bankers soon became ruling powers, on account of their control over money.

In early tribal days when commodities were bartered and beads or cattle were used in trade as token money, such commodity money was not money in the sense we now use that term, but it is not easy to make the difference clear.

Real money did not appear until shipping and commerce made trade extend beyond the local

barter field, for then gold and silver began to perform functions in connection with credit that gave real money its first existence and its first circulation.

In token forms, when a commodity was used in simple barter, the social body was of such a low order as to compare with the unorganized forms of life in the sea upon which the higher forms were after to live, but could not themselves develop into higher types.

The money we use now is like cells of protoplasm we call the uni-cellular life, the particular unit of life used to build up all animal bodies, cells that acquired a power to organize life into higher and higher types without any apparent change in the cell itself, it has immortal life; it lives and sub-divides, but has never perished since it first appeared.

The unit of actual money has power to build a social body and to organize it, just as the cell of protoplasm has power to organize the material floating in sea water into millions of higher forms, all living on minute cells that have no such power.

Money, therefore, had to develop in the cell form, and it could only do so after capital was united to commodity production which required credit to appear before money could be organized into units of living value.

Credit appeared among merchants and ship owners before there was an established money,

because time is consumed in exchanging a surplus of one kind for another. A ship had to carry goods from one port to another, and credit must be established between goods the ship carried and the capital the ship itself represented establishing a connection between present and past labor, a connection between ancestors and the living, which must be carried on to posterity.

To make credit effective gold and silver played important parts because they supplied a material existence for an immaterial and abstract value, or bankers' credit. While credit will be taken up in a separate chapter it is necessary, before going into the more complex relations of money, to understand the very important part that a unit of money plays in organizing the body politic. We cannot separate units of money from the connection they must have with capital. Unless this connection is explained, it will appear that cash government money is a mere creation of law instead of being the most important product of evolution that has ever appeared on earth.

CHAPTER 3

The Cost of Living

An oil well producing one-fifth of a barrel each day is pumped with profit; the labor cost is not too great for such poor soil producing oil, but another well may flow ten thousand barrels each day and have a labor cost per barrel fifty thousand times lower than the well on poor land, and bear in mind oil is included in our total cost of living.

This difference in cost of oil, and all other goods as they appear in our markets arises from the fecundity of nature, and therefore no human law fixing costs or fixing selling prices, can do other than disturb the natural health of the body politic. The difficulty between labor and capital has its source in obstructing the natural regulation of prices and thereby interfering with the natural healthy functions of the body politic.

The market concentrates all classes of goods into one great reservoir, so that each class must bid for a limited amount of money coming from wages of labor. Total wages of labor and total prices of goods must balance, but the wages of labor producing any one class of goods can never be made to balance with such cost, or with the market price of any particular class.

Wages of school teachers, lawyers, doctors, government employees and others must be carried in the selling price of goods, loaded upon goods as a price above cost, for unless the market price above cost will carry the wages of secondary labor, no money will circulate with which that labor can be employed.

In a great pool we call the market, equal bushels of wheat must sell for equal sums of money, although the wheat from a field producing fifty bushels per acre will cost only one-fifth as much as wheat from a field producing ten bushels per acre.

The most fertile oil wells and wheat fields will not supply the whole market; hence, poorer lands are called into use at higher costs, permitting the poorer lands to add to the supply, so that when the whole crop of wheat, and oil and other commodities are pooled the market will establish a sea-level price of two times labor cost, although particular barrels of oil or bushels of wheat may sell for a hundred times its labor cost.

It should be quite clear that an employer of labor, or land-owner, must pay a living wage, before labor will work the land, and land of a lower fertility cannot command labor. The natural thereby law forces into use lands that will produce more than the living of its cultivators, and cuts off other labor from making its living upon the land.

Unless the market was governed by some "standard of cost," and unless the money offering to buy will send prices above "standard cost" to create a margin of profit, there would be no circulation of money, no trade, production would then be limited to supplying the land-owners with slave labor, leaving surplus labor to starve, or population to remain poor and sparse.

The first action of natural law regulates the quantity and circulation of cash so as to establish a standard cost for the market, and a standard price above this cost; and it secures this standard by forcing into use the most fertile lands, so that only a part of the total money will supply the total living.

A standard cost of living becomes the basis of civilization and a nation remains at a low savage level when the standard of its living does not advance by multiplying the quantity and variety of goods it will consume. The higher standard of civilization comes from creating more and more capital which increases the quantity and variety of goods and creates new appetites and desires to consume them.

Standard cost, measured by the circulation of money is a very simple process, based upon the fact that labor when forced to work the most fertile land must have its living as the prime necessity of existence, and the rotation of cash is automatically limited by the cost of living, and

thereby fixes a cost of living which becomes "standard cost" for the whole market.

Natural law comes down to mankind in the form of exact measures which create exact standards, the advance from lower to higher forms of social life is governed by standards of measurement, and our problems arise wholly from some interference of human law with the natural standards for cost and for market price upon which progress is based.

When cash is being paid to labor it measures labor cost, and it cannot become an exact measure unless each unit is of exactly the same value, not only for present time, but for future time within reasonable limits. Units of cash measure like any yard stick may be used to measure endless yards of every kind of material, the same units are used over and over again with no loss of time, so that the total supply of money paid out to labor will return and be used over again.

It is not a difficult task to measure a definite quantity of labor and goods, when a people must spend money in order to live. The chief desire of mankind is to enjoy life and any people will spend more and more money for a better and better living until all the power of labor and capital is exhausted, in providing the best possible living.

The primary quantity of cash in any country is one that will pay a standard rate of wages and

buy a standard living fixed by the civilization of the time.

The quantity of cash divides automatically by using the fertile land, taking the least cash to produce the greatest quantity of goods, and save both labor and money which must then be devoted to the production of capital, to develop other natural resources of metal and mineral that capital must consume.

Owners of the fertile lands soon discover that the surplus they obtain will be very much greater than they can spend in personal luxury, and it becomes a profit wherever lands can be improved with capital, or where trade and commerce may be extended.

When a land-owner employs surplus labor to improve his land, or as his personal servants, his building labor will cost him two units of living, one for the labor that produces the living and another for the labor at otherwork; hence it follows automatically that the cost of secondary labor is always two times the standard, or average living.

The fact that the employer must pay two times the cost of a standard living, sets a limit upon fertility, so that no land will employ labor unless its fertility will return two times the cost of labor at the minimum wage rate.

A margin of cultivation once established divides the quantity of cash into two equal parts, allowing only one-half to produce two times the living for half the labor, and sets aside one-half as surplus.

When money divides into two equal parts one-half the money will create the whole living, and the other half becomes wages for surplus labor that must buy the surplus from fertile soil, and can only do so by creating capital and by improving lands.

With the cost of living using the cash day after day, it is not material whether a part of the oil supply is produced at fifty thousand times the profit of another part for it is necessary to keep the whole supply of oil at price which will permit lands of lower fertility to supply the whole body politic with oil.

Having soils a thousand times more fertile than the margin of cultivation requires, should rapidly increase wealth and capital and when machinery and capital are added to goods, wages and standard of living will advance rapidly.

When capital is newly coming into existence, it is distributed as a gift from fertile land to merchants, land-owners, and money lenders. If this gift would come to an end when wealth is first created, and if the whole people were afterwards given an equal opportunity to obtain a share of the accumulated capital, then the gift of billions to fortunate or lucky owners would prove itself to be a blessing in which the industrious would share.

Unfortunately, human law operates to prevent accumulated wealth from being distributed the

same as goods are distributed so that each worker has an opportunity to get a standard share. Instead of wealth going to its owners the first time and then being distributed the human law so operates as to hold gift wealth in the hands of a small class, and prevent its diffusion afterwards among the mass of people.

When trade is mainly barter, and when money is a commodity there can be little advance in the standard of living above the savage, but when trade increases the variety of goods, and brings people into closer relations, natural resources over the whole earth are called into action, and civilization advances rapidly as wealth accumulates.

When trade extends, when shipping and travel develop, when people are clothed and home brings its refinements, when cities grow, roads are built; when lands of many kinds are cultivated, then the proportion of capital compared to the cost of living will enormously increase and a nation should then employ all its labor at the highest possible rate of wages, and allow each to share in the accumulation of wealth.

Growth and development of a nation is based upon a system of measuring by equal units of money, and unless the mind can grasp facts in great multitude and in great classes, the natural laws will be hard to understand. Money does not measure any concrete thing like a yard stick measures yards of cloth, which increases the

mental problem. Money measures a proportion of vital force attaching to material things in prices of goods and in wages of labor.

Measuring force in connection with materials enables us to apply science to mechanics and accomplish wonderful results. In measuring weight we seem to be measuring a substance, just as measuring a price seems to be measuring a commodity, but weight, in fact, is a force of gravity, and price in fact is a force of value, both are governed by natural law which we recognize in weights but do not so recognize in prices. It is taken for granted when a man parts with money to buy goods, he is governed wholly by his appetite and by a desire for goods, but money is spent to build great bridges, railways, steam shovels, and other forms of capital for future use and for which there is no animal appetite, without such an expenditure for capital, a higher being than an animal-man could not develop.

A man having a surplus of money above his living will spend it to bring him an increase of money, the same as he will employ labor on fertile lands to get more money than cost. The investor gets his increase of money from the "time" used when compared with the use of cash that cannot charge for "time" consumed.

We know that, by a law of gravity a stone will roll down hill and change its level because a force pulls it toward the center of the earth, and

as simple as this rolling down hill may appear, the pressure that pulls a stone down causes all movements of force and material in our universe, and is the physical basis of all life as well as of all mechanical activity.

Dollars of money move by a pressure of the same kind from a pull of value, or social gravity, which governs all industrial or spiritual activity, governs all development of science, education, capital, work and wages. The pressure by which money moves is a similar difference of levels like that by which a stone rolls down hill, a difference we know by the name of profit, a difference between cost price and price above cost.

Unless there is a difference of level between cost and price above cost, there could be no distribution of goods from the lands where labor works, trade and commerce could not come into existence. No matter how complex civilization may become with cities, factories, steam communication and electric communication, its complexity is controlled by pressure from costs and prices above cost, over the entire economic field, the same as gravity works over the whole physical and chemical field by similar differences in levels.

Each and every dollar, to become an exact measure must be equal to every other dollar at any place, and for future as well as present time, and yet a dollar will have no social force unless it can move, and it will not move unless it has

a price above cost to make it move; it must sell for more than cost, before it will circulate.

The puzzle which prevented an explanation of money, as a measure, is found in the fact that each dollar must have a fixed standard value, but yet must have power to change that value before it will circulate, but it gets this addition in prices by giving value to "time" where goods must take "time" to move from producer to consumer.

"Time" consumed adds to the value of a standard dollar when measured separately by a circulation of credit money. "Time" saved by the labor of the past for the benefit of the present generation is added to each dollar, so that it may sell for more than it cost. Why are dollars of interest so important that cash cannot circulate without them, move or perform its functions unless units of interest create a pressure or difference of level for money? Working is tiresome. A man will shirk hard work and seek an easy living without working. The laws of nature take advantage of this desire and create interest dollars which enable a man to live without work, and thereby creates an addition to the value of cash which pays only for present labor.

CHAPTER 4

Profit and Interest

The most astonishing fact the future historian will discover concerning the present time, will be a terrible wave of red anarchy and revolution coming from the failure, of governments, to solve its most elementary labor problems.

The writer of the future will see an enormous accumulation of inherited wealth, crying aloud to be distributed to every man, a fund intended to relieve the world from want, fear and anxiety, to abolish poverty and secure permanent prosperity, and yet for centuries it created only trouble from its concentration.

The red anarchist sees clearly enough that property should in some way relieve the world from poverty for otherwise civilization is an admitted failure, but he, along with so-called authorities and government officials, fails to see how simply the laws of nature would use the inherited wealth and compel its distribution to millions of families.

It is quite plain to the man in the street that if he inherits an estate, he may live upon it without working, either by selling it for money, or from the income if it is sufficient for that purpose.

The great inheritance we call capital may not only descend to private owners, but if it passes to an ever increasing number of owners, the inheritance would so increase the income of common laborer as to bring about its own distribution.

The income to capital measures more than an easy living for its owner. Its most important function is to measure an amount of wealth each year to balance its income, and the greater the income the greater should be the share of labor from the distribution of wealth.

Socialists realize, in their zeal for the welfare of common labor, the benefit from our tremendous accumulation of wealth see clearly it should raise the standard of living for the great mass of the people.

But the theory of Socialism is unable to separate the value of land from the value of labor, or separate property in land from property in labor, and therefore it wholly mistakes the method by which wealth would be naturally distributed, and believe vainly that government ownership abolishing private property will in some mysterious way bring about the good results they hope for.

Before we can solve the most simple problem, it is necessary to be able to state the problem itself, and to so state it that all men may see it alike, and not have a theory about it one may change to suit his own convictions or beliefs.

Let it be admitted as Socialists claim that wealth now owned by a capitalist class was produced mainly by the common labor of the past, and was never paid for, that present owners secured wealth as a gift, and have no claim by which they can establish a better right to it than a gift.

If it is admitted that wealth coming newly into existence becomes a gift to its first owner, under the natural law, such a gift does enormously encourage the rapid production and accumulation of wealth, and thereby in the end will justify the gift to its first owners.

A gift of capital to a small class of owners is the real bone of contention in all labor disputes, is at the bottom of the world's unsolved problems between labor and capital. Owners will not admit the gift, and produce silly arguments about brains and ability bestowing wealth upon a better class, which only intensifies the feeling of wrong and prolongs an endless discussion.

Granting, in the United States, that two hundred billion dollars of wealth was a gift to a class of less than one million families out of more than twenty million, that gift should have been a blessing in disguise by quickly increasing wages and by giving a higher standard of living, but it should subsequently be distributed to twenty million families.

The problem properly stated is, wealth becoming a gift should not remain as a gift after it must be reproduced by labor, but it should then be paid for in such a way as to permit labor to acquire each year as much wealth as it must reproduce.

We have a natural distribution of goods which does not allow them to concentrate to a few families, but disburses them to the mass of people; ninety-five per cent of the annual production being bought and consumed by the laboring class, while not five per cent of accumulated wealth goes to labor as a class.

The natural plan by which goods are kept in channels of wide distribution should point to the natural law, whereby capital shall have a similar wide distribution.

When goods are being bought by great masses of people, the money to buy was previously distributed as wages in such quantity as would balance the goods, or otherwise the goods would have no market; the rich could not consume them.

The distribution of goods demands a market price balanced by an equal quantity of money to make them liquid, and that money must be paid in such way that a joint ownership will arise for total goods and total money. Two equal owners of goods appear, one being labor which has in hand the total cash to exchange for the goods, the other being owners of the goods who seek to recover all the cash. Distribution

cannot take place in any other way, and the joint ownership of money and goods is separated by a price of two times cost giving one time cost to each joint owner.

As fast as goods are consumed the void between goods and money is immediately filled by goods in store, production keeping the supply of goods always equal to the supply of money, the market price being so elastic as to balance goods with money each instant of time.

Making goods liquid so that they may be distributed in wages, and making money fluid so that it will be distributed in wages, does not mean that the whole stock of goods on hand need be sold at once for the whole stock of money on hand, but that only so much of the stock will be sold as labor can reproduce and is paid for reproducing each day.

Capital is being reproduced in a quantity that is practically equal to the goods consumed each year but there is a failure in its distribution. The annual supply of capital fails utterly to be balanced by an equal supply of money so as to make capital liquid and exchange the same as goods exchange.

Capital must have a selling price of two times cost to secure its required money the same as goods, in which case a joint ownership in the stock of money will make capital liquid and allow the owners of the money to hold a half interest

in the annual supply of capital, and the owners of capital a half interest in the money to buy and distribute a fixed portion each year.

But here value of land then comes into play, being able to take away a part of the money for capital. A cost for land is paid in advance of building, and by so doing the cost of land prevents capital from obtaining its standard price of two times cost, and prevents an accumulation of capital money that will balance the quantity of capital each year.

If land could be consumed and reproduced the same as goods, the cost of land could be paid in advance and the price of land would hold money, the same as a similar price of goods. Land can have no cost in money, and the attempt to give it a cost is to deprive capital of the money it needs to make it liquid, and to deprive labor of the increase in wages to buy capital.

The governments of the world have learned by costly experiments how to supply a quantity of standard cash having equal units of value; which will circulate under natural law, with man unable to interfere.

Governments, however, cannot coin, circulate, or give value to credit money, it must evolve along with capital, and supply a quantity that grows as wealth accumulates. Credit money depends upon the "time" past labor is able to save the present generation by an accumulation

of wealth, but the supply of credit can be interfered with by human legislation.

The first great mathematical problem solved by primary money was to establish a base line by creating a margin of fertility below which the savage must live, but giving a higher life for all who will cultivate the soil, a base line to conserve labor and permit half the money to pay labor for all the living and force half the money to employ other labor. On account of this base line half the vital force of labor is set aside for a continually advancing standard of living, which means an evolution of higher and higher types of social organism.

By having half the money as surplus, trade develops by being able to take half the money as profit, and distributes a better living by increasing the quantity and variety of things to be consumed.

Profit from goods is eaten up very quickly if nothing more is being produced than a living. It is soon discovered that building ships and having caravans to trade between populous nations will greatly increase profits and will create a rich class if lands are improved with slave labor, if houses and palaces appeared, if armies are maintained to protect cultivated lands, if cities developed with capital and commerce.

A merchant spending profit money to build a ship instead of eating it up, will find he has doubled his profits, the gains from the ship will

not only return its cost, but will return the same profit as if it was secured from a stock of merchandise. A rate of profit will appear upon which the success of ship building and other enterprises will depend; if the ship will return its cost money in one year it will earn one hundred per cent upon its own cost.

A merchant having a profit of one hundred per cent, being able to borrow money at twelve per cent, may rapidly increase his fleet of ships with borrowed credit until he discovers a limit in profit, which will cut the one hundred per cent rate until his fleet will pay a common or standard rate.

The next important step in the arithmetic of money follows the circulation of cash, for although cash money buys the living, it could not circulate until after credit appeared so that each dollar of cash could add the pennies of interest, by which it circulates or sells for more than cost and to measure interest was the second success of mathematics in natural finance.

Profit after supplying the basic living of the body politic creates new base lines for capital, a base line establishing a rate of profit, so that when capital will earn more than the base rate it will develop rapidly. Lands must be so fertile as to be above the base line before they will be improved with capital, therefore cities develop because profit from goods will concentrate in the small area when a city grows.

By permitting interest money to buy a living without working, credit is thereby given its utmost power to circulate, and is made more desirable than cash which must be earned to buy a living. The whole circulation and value of money is made to depend upon units of interest and then interest will represent a new difference of levels or a new margin of fertility for the production of capital similar to the margin of fertility for goods.

A base line for profit is created just the same as the base line for cost of goods, and it measures a price of two times cost for capital. The capital base line consists of the total cash profit taken from the sale of a living, being always fixed at half the cash spent for living, one-half the cash then becomes a base quantity of profit money, which will afterward create one or more dollars of credit for each dollar of cash profit.

Money for building and improving land must be advanced before it can be returned by the sale of capital.

Commerce will develop a rate of interest that carries goods from producer to consumer, and a commercial rate of interest will be much lower than profits obtained from capital, which will therefore have a great stimulus to create new capital paying four or more times commercial interest each year.

When a ship will earn one hundred per cent a year, it could pay fifty per cent interest and return the loan at the end of a year, if ships had to be reproduced each year, they would be compelled to earn one hundred per cent so as to return the cost and interest each year. But a ship will last many years, and if its rate of profit is high it will have a high fecundity, so that a family of ships will grow from the profit one ship may collect to build other ships, but as the number of ships increase, the rate of profit must fall because total profit is limited to half the money spent for a living, and cannot rise above that sum.

If ships and other capital grow in quantity until they take up all the profit from goods, the rate of profit will be fixed by the amount of capital over which the total profit must spread. If total capital has a cost equal to half the cash, or equal to total profit the rate will be a hundred per cent, and a ship or other capital could double itself each year, but as soon as it doubled the rate would thereby be cut in half.

Capital not being consumed as fast as labor may build it, will accumulate until it is many times greater than the total amount of profit money, because profit money is limited to half the cash spent for living.

Since capital will last more than a year, the profit from a ship above its wear and tear may accumulate as credit, and can be used to increase

the quantity of ships until a limit will be reached where the fall in the rate of profit and rise in rates of wages will prevent any further increase in the accumulation of wealth.

When total capital collects a hundred per cent in one year, a base rate is established by which the total cost of capital is equal to total profit, or equal to half the cash spent for a year as cost of living. The rate of interest which must cover all the cash will then be fifty per cent and thereby cut each profit dollar in half to double the number of cash dollars that can collect interest, making every dollar of cash collect fifty cents of interest, while half cash is collecting one hundred per cent profit.

If a merchant sells goods that cost one thousand for two thousand dollars, his profit will be one thousand for one thousand that is, cent per cent, but to spread the one thousand dollars profit over two thousand dollars of selling price cuts one hundred into fifty cents interest and a fifty per cent rate can be paid illustrating how a measure of interest takes place by natural law.

Capital earning a hundred per cent profit will itself create a rate of interest at fifty per cent, and that rate of interest would then create a standard selling price for capital at two times its cost to balance an equal standard price for commodities at two times cost, again illustrating the basic measurement upon which all commercial and industrial activity depends.

When accumulated capital is equal to the cost of goods for a year, its rate will be a hundred per cent, but will drop to fifty per cent when the accumulation rises until total capital equals two times the cost of goods consumed in a year, and will fall to twenty-five per cent when total capital accumulates to four times the cost of living for one year.

When the rate of profit is very high and the rate of interest equally high at fifty per cent, only the very highest grade of fertile lands will command money to build at that rate, and must collect profit faster than interest will consume it, or capital will be considered a failure.

The desire of men to double their wealth every year at cent per cent profit will greatly stimulate the growth of wealth; but the margin of cultivation will begin to demonstrate how natural law governs the growth of wealth by the fall in the rate, for when total wealth greatly exceeds the cost of living for any one year, the fall in the rate comes by total profit being forced to spread thinly over a vast bulk of wealth.

If all land could produce profits as great as one hundred per cent, the limit in quantity of profit acting against an increasing accumulation of capital would bring capital into competition for the limited amount of profit, and would cut the rate of profit so that the same limit in wealth would follow, no matter how fertile the soil or

other natural resources, the only difference being the rapidity in growth of wealth to its limit.

Lands have different grades of fertility, and at the highest rate of profit only the highest grade lands will be improved, but as the rate is forced down by an increase in quantity of capital, the margin of cultivation widens all around the inner circle, and when interest reaches its lowest rate, there will remain very little land so poor that cannot command some capital at the low rate, provided there is no cost of land to interfere.

Capital could not grow to any great quantity by taking no more than the profit that will arise from fertile food lands, but it grows by adding new commodities from new resources so that capital increases its own profit by an increase in the standard of living for the whole people.

The living of a people is not principally food, as we often decide without much thought, but becomes more and more of a spiritual nature as the type of social organism advances to higher levels. Railways demand consumers of travel, cities demand consumers of utilities in paved streets, sewers, hot and cold water; factories must have styles, colors and art to attract tremendous numbers of consumers for wearing apparel; schools, churches and amusements have their part to play in the total living, as have courts and government, the army, navy and police.

Keeping the fact in mind that the quantity of capital grows until it is about ten times the annual cost of living, it should be plain that its own cost of maintenance might consume the whole of its income, and then production and consumption of capital will balance and wealth reaches its limit in quantity.

Another fact to keep in mind is that dollars of profit must spread in thinner layers over a vast capital by a decline in the rate; total profit is absolutely limited by the sum labor must spend for its living, that any sum labor may save to become a bank deposit cannot create a market for goods.

Capital reaches its goal in quantity when it consumes all the income it can collect by its cost of maintenance, and for this reason wealth may grow to an immense total without being distributed to labor.

When consumption and production of capital balance, the income is being consumed as fast as it is paid, at which time new wealth will not be created, but the old wealth on its fertile locations should be subject to constant change in harmony with the progress of civilization.

When capital accumulates in great quantity, while wages remain at a minimum level, wealth is forced to concentrate to merchants, manufacturers, bankers and landowners who get capital as a gift from fertile soil or other natural resources.

Had the natural measure for capital not been interfered with permitting capital to sell at two times its cost, its distribution would have been provided for and labor would have secured its share of the total wealth in a market similar to the one distributing a living.

When the cost of land was permitted to take up all the margin of fertility, then capital lost its quantity of money to buy a standard amount each year, at a standard price of two times cost. The rise in cost of land forced buildings to sell at one time cost instead of two times, and prevented the wage rate from rising above the cost of living.

If a builder must pay a cost for land in advance of building, that cost for land destroys any profit from the sale of capital above cost by which wages might advance. When land has a cost money to buy capital cannot get into the great stream that pays wages, and, therefore capital remains the property of a rich class who receive it as a gift.

Had capital been permitted to sell at its natural price then land would never have acquired a price, and fertility of location would merely have created greater quantities of capital upon the most fertile ground as civilization advanced, or collected a higher rate of profit from the better location.

To build to the utmost advantage on the most fertile locations, capital must build into the air

instead of spreading over more ground, and the rent will increase when the building grows to twenty floors above the street, or until cost stops the rise in height.

If a land-owner is permitted to take all profit above cost by a rise in the value of land he may demand five million dollars as cost of land in advance of a five million dollar building, and expect the builder to supply the building without profit, which he will not do.

If capital is to become liquid, it must secure its own quantity of credit money, to buy as much capital as labor can reproduce each year, at two times its cost, and keep in circulation the quantity of credit money the capital market demands.

Property in land need have no value or cost in money, and could not have such value or cost if the improvement upon the land was permitted to sell at its natural price of two times cost, and allow profit in building to take up the advantage of location.

CHAPTER 5

Credit Money

If I were to ask "What has been of the most absorbing interest to the human race in the rise of civilization?" the probable answer would be, "making profit money from production and trade over which wars have been fought and savage races were brought in contact with a higher life."

The answer would not be correct, the most passionate interest in the mind of man, of a savage even, before trade and commerce develops, and which continues to be the most passionate interest now is to learn about some mysterious being he calls God, and his fear and duty toward that God.

Discussion concerning a man's soul, concerning a life after death, a philosophy of things greater than the material, has been the most absorbing study of the thinking mind in all time.

The reader, familiar with history, will readily admit that wars over religious opinion have been as bloody, as murderous, and have engaged more of the populations of the world than all other wars, and no war has been waged but some kind of a God was called upon to assist in overcoming the enemy.

The people of the world, in the rise from barbarism, have been as passionate in changing the kind of god they worshipped as they have been in changing the kind of government under which they suffer, and the two passions advanced together from a lower to a higher form of god, and from a lower to a higher form of government.

Churches were built, embodying the highest form of architecture. The worship of religion was at the base of sculpture and painting; it had much to do with inventing the alphabet, with the introduction of writing and printing, while unbelievers, in an established religion, were as severely punished as were thieves, murderers or criminals.

The evolution of a higher form of god has been as distinctly under the control of natural law as has been the evolution of species from lower to higher forms, or the evolution of the social organism to higher and higher types, and the connection between the material and spiritual is never for a moment lost to sight by laws of evolution.

The only difference I can find in the action of material over spiritual forces is a mere preponderance of one or the other at certain stages of development; at one point the material forces have control for a time, only to surrender that control to spiritual forces at another time, but at no time do either material or spiritual act without each other, or without combining.

Spiritual forces have as much to do with the development of species in organic life as have the material forces that assemble the material and build the form, for it is the spiritual that supervises the plan, that determines the form and develops the higher and higher usefulness of the form, bringing into existence the higher consciousness that inhabits the higher form of body in the advancing species.

In our modern civilization the preponderance of spiritual, in one case, or material in the other, will be found in what we call capital structures which spirit forces control, while the mere assembling of material and supplying food is under material control. The spirit governs by what we may call the type of our civilization which we transmit to posterity, and inherit from ancestry; the material maintains the type without control over its form, structure or progress.

A study of the body politic as a great living organism which covers the whole surface of the earth, including its soil and climate with all its vegetable, animal and human life, is a vastly greater study than the biology of any single species.

In a single organism the minute actions of single cells defy a microscope, while in the body politic the human being, when spending money, is acting under the same law as that which animates a single microscopic cell, and, as a result,

life cells are multiplied a million fold, and we should be able to classify and analyze them, and discover their laws.

The bodily structure of society consists of what we call capital, in farms, roads, towns and cities, and instead of trying to discover how an organ in a single species operates, we have in a city an organ to observe having similar functions, and obeying identical laws.

The roads, rivers and oceans, together with railway systems connecting the cities are the great veins and arteries of the social organism by which blood, its food and raw material, carrying living cells of human life, circulates over the whole earth, and its electric lines and telephones become vital lines of nerve communication.

Natural economic law controls the form and usefulness of every social structure, be it a simple dwelling of the laborer, a great factory, or lines of communication and transportation, the location and building of cities, as well as the development of agriculture.

Man is forced to build according to a plan for the development of the human race centuries in the future, and this action of economic law is automatic, entirely outside of human control, or control by human legislation.

Natural economic forces move according to a plan by laws that govern the value and circulation of money, and this power over money is one

that is not permitted to be interfered with by statute law, it has been our ignorance of the circulation of money that gives us our social problems.

Human law may seek to regulate prices, production, wages, and all manner of human actions, but when the human law conflicts with the whole plan we discover that conflict by a failure in the circulation of money. Socialist or anarchist schemes may promise a heaven on earth, but find they can not deliver any part of their promise because money will refuse to circulate under their peculiar forms of government.

We seem to consciously build our factory systems, our railways and farms and cities without regard to any general plan for the rise of civilization, and without regard to any special type of social organism, but what we build must conform to a demand made upon it by the circulation of money, from which the union and cooperation of social forces is secured.

The value and circulation of money is held sacred by natural law, and held above any interference with it by human law, both the material and spiritual forces use money to carry out the general plan for civilization.

The circulation of money separates into two great streams according to what forces are in action, the material stream being under the circulation of cash money that supplies the living and raw material while spiritual forces govern

with credit money inherited from the past to determine the plan and form of the social organism, but neither will act without the other.

The difference between the material food supply and raw material consumed daily, and the spiritual capital or bodily structure, is that one supplies the daily life while the other holds the hereditary structure and plan of posterity for the future.

The circulation of money holds in its grasp, not only the material life of a nation, day by day, but also holds its spiritual life and its future progress. It should not be difficult to see that problems of industry being both material and spiritual, must be the most complicated of any that science has to deal with.

The connection between the material and the spiritual has prevented any real solution of social or industrial problems. When we fail to follow the natural order in our legislation, and in our distribution of wealth, the currency will at once register that failure by a faulty and crippled circulation of credit or spirit money, creating debts like creating disease to overcome some loss in circulation.

The problems of circulation are difficult to explain for they are based on paying interest, and credit money is in fact a spirit money. Its units have no bodily or material existence, it is merely a book account in a bank, and circulates as a check or form of speech, and it may be con-

verted into cash or material money on demand, it performs its purpose and is cancelled by cash.

We are in the habit of believing the spiritual to be a separate existence above and outside of the material, while as a matter of fact it is the main guiding force of the living and material. Spiritual advance is under the control of natural law to the same extent that physical growth is controlled by law, they are inseparable; as closely connected as force and matter.

In the structure of the body politic the influence of the spiritual is quite plain, for beauty, efficiency and utility of the highest order are the constant desire of mankind. The difference between an ugly poorly located building and a useful and beautiful one adapted to its location has its spirit influence upon a people.

In the development of all the useful arts, beauty, combined with efficiency and utility, is ever being sought, and however fashions may seem to reverse this natural order, it is only as we sin by ugliness and materialism that we discover the ways of righteousness.

It should be quite plain that the structure of the social organism must be fitted to a spirit plan, and must be able to change and advance according to that plan. The spiritual concerns man's life, both in this world, and his immortality, but how is a spirit form of every part of the social

structure to have its effect upon the human form and make changes in that structure?

When the natural law makes it more profitable to build according to a general plan for beauty, then ugliness gives way in every field to art and structure changes are more and more spiritual as profits created from spirit money compel such changes. But how do such changes reach down to individual life?

The capital structure of the body politic must somehow include both the spiritual and material, so that it may react upon the human body and mind, and secure the required changes that will develop the higher man according to a plan civilization is expected to work out.

The spirit plan makes it more profitable to build for a high utility and beauty along with health than merely to build as any man may choose. The plan of civilization which develops a higher soul has in view a constant advance in the standard of living for the people, and according to this higher living, the human structure is expected to become more and more in harmony with the spirit forces that guide civilization.

The common standard of living is quite distinct from what we are in the habit of considering as the standard found among the rich, which others seek to imitate—the natural standard—not for any man or class considers the future immortal

mass-man it is a standard for the body politic that consumes railways, cities and factories.

Society develops its roads and railroads to increase the standard of living over the whole world for future time. It establishes cities upon a few great locations that remain city locations as one civilization is succeeded by another.

Travel and transportation are important parts of a living as well as food and clothes, so is amusement, in theatre and dance, and higher soul desires arise after we solve the easy problem of having an abundant supply of food.

Capital, by its development, must conform to a certain plan and it develops on every side, by adding to and changing the standard of living to a higher and higher civilized type. Each type of social organism, or type of nation, is founded upon a standard of living, which the growth of capital and wealth has brought about for the good of the common man, and not for the exclusive benefit of the rich, as many writers seem to believe.

History teaches that nations rise from barbarism to wealth and power only to fall back into barbarism again, that populations grow in density only to fail when wealth is abundant.

In the modern world of science and mechanics it is easy to point out how capital adds to the quantity and variety of goods and helps to sup-

port a much denser population, and supply a better living to a vastly greater number of people.

But in the modern world great difficulty is found in distributing the better living which capital stands ready to provide; vast numbers are constantly out of employment, and other millions fail to get wages to buy a better living.

The connection between the capital we accumulate and inherit from the past, and the food we provide and consume every day is a connection between spiritual and material found in the daily living.

The failure of civilization arises, when the spiritual fails, when credit money is confined to the goods market and when it merely makes a gift of capital to a small rich class, and fails to pay a rate of wages above the cost of living by which the mass would rise above the material into a beginning of spiritual life from owning property.

It is not a difficult problem in mathematics to work out the quantity of credit money any given nation should have for its healthy normal development. The quantity of credit is based upon a proportion between total cash which buys a living and total wealth from which all higher desires arise.

The proportion of wealth in any country is always a fixed per cent of the annual cost of living. The quantity of credit is based upon the amount of cash that must be spent each year as cost of living, and as the standard of living increases, the quantity of both cash and credit must increase with it.

It is plain that capital should in some way supply its own money to the general circulation; it should draw upon a revolving sum to pay its own costs and the cost of new building, pay its own dividends and profits.

It is not easy to explain the circulation of credit money in relation to primary cash, explain how the credit circulation is kept separate from the cash circulation and is cancelled on being exchanged for cash.

During the time a separate quantity of credit money is kept in circulation, and before it is exchanged for cash and cancelled, it will perform certain functions that are as important as the work done by cash. A man will have a bank credit calling for a certain sum to be paid him in cash on demand, and he may either exchange his bank credit for cash and consume it by living without working, or he may buy property from another who then merely takes his place at the bank, where the credit and the property will merely change owners.

The exchange of bank credit for property appears like swapping jack-knives without special influence upon the general circulation of money, but, on the contrary, it has a most important influence, for it provides a permanent circulation of credit money each year without which modern civilization could not be carried on, the failure to buy and consume wealth brings about the downfall of nations from a concentration of wealth.

If a man would sell his property he must find a buyer with money, a buyer with surplus credit. "We cannot have our cake and eat it too." A man cannot buy property with the cash he must use to buy a living. If there is to be a permanent circulation of credit money, that will pass property from one generation of owners to another it must come from a bank check circulation. The owner of a bank account secures his credit either by what is called saving from wages, or from profits in business above all costs of living.

The public has so long been in the habit of considering the capital of a country as the exclusive property of a rich class that it is difficult to explain just how a failure to circulate credit money is responsible for this condition, and how a correct circulation of credit, under natural law, would supply the laborer with a surplus from which he would become a bank depositor and a buyer and consumer of capital.

When the statement is made that wages may rise from an addition of credit money above the sum allowed to buy a living, the door seems to be wide open for an unlimited rise in wages and exclude any other class of property owners, such is not the case.

Wages cannot rise above the cost of living unless profit money will create a credit circulation with which to pay the higher rates, and the failure to secure this particular profit circulation is responsible for wages remaining at a rate that will only buy a living.

Profits are exceedingly difficult to explain because they are based upon spirit, or credit money, that has no concrete or tangible existence, and are themselves limited by the wages spent for a living. Primary profits once appearing—from the circulation of cash buying a living—then the "time" taken to cancel such profits for owners of capital should create another and secondary circulation of bank check currency and it is this secondary credit that should pay higher wages and permit the labor class to buy its share of total wealth.

It is well-known that wages limit profits, and also profits limit wages. In special cases a man may pay out all his profits in higher wages, or wages may rise to destroy profits in a particular business, but total profits always equal half of

total wages and will increase as wages rise or decrease as wages fall.

It is taken for granted that wages may rise at the expense of profits in all transactions where profits appear, but such is not the case; total profits cannot be reduced by a rise in total wages but must increase as wages rise and include half of total wages.

Each dollar rise in wages should create one-half dollar of profit money by which the total consuming power is increased, permitting other buyers than laborers to appear who spend credit or profit money, and if unwise legislation reduces total profits in order to increase special wages for organized labor, then, for each loss of one dollar in primary profit, there will be a loss of two dollars in general wages, and the burden of such loss usually falls on the poorest paid and largest class of laborers.

Banking depends upon a power to coin or create a secondary circulation of credit that is never cancelled, but is always reinstated by a new credit taking the place of one consumed. Secondary bank credit however has never been permitted to get into the general circulation, but has always been used to create debts that could not be paid, bringing about many kinds of financial and social distress.

The quantity of permanent credit is based on the cash profit cancelled during a year's time,

and is expected to equal and balance the total amount of cash spent during a year. The limit, in total bank deposits—payable on demand—fixes the upper limit to wages, whereas cash sets the limit to minimum wages.

Bank credit becomes a liquid currency when bank deposits once being spent are reproduced by the sale of capital at its standard price of two times cost. Bank deposit dollars cannot be used over and over again like cash, when once used they are cancelled and must be newly created. Failing in this respect, credit disappears from circulation after it creates a limit in debts that cannot be paid.

The natural law will create new credit each year to replace the sums labor is expected to invest in capital, and such new credit must arise from a sale of capital at an established standard price of two times cost, the profit from the sale of capital being based upon the fertility of soil or location.

Some locations will collect many times as much profit each year on each hundred dollars cost of capital as other locations, but there is no lack of fertile locations which may collect a greater rate of profit than the rate of interest, so that capital may always be sold at its natural standard price.

When capital is permitted to improve fertile locations with no cost of land to interfere, two

times the rate of interest will naturally force capital to sell at two times cost, which creates a secondary profit to exactly balance the primary profit from the sale of a living.

The demand for labor to build to the limit of rent at every location would exhaust the labor market, forcing wages to the maximum limit. Maximum wages would overstep the quantity of cash which could only pay half the maximum rate and deposit credit would then be forced into the wage circulation to meet a deficiency of cash.

The natural law secures a credit circulation by a system of measurement that is very complex, involving three scales of measuring at the same time so as to establish a rate of interest upon which the entire circulation must finally rest. The natural measurement of capital at two times its cost has always been interfered by laws which permit fertile lands to sell for money thereby converting the profit intended to develop capital into a cost for the land.

By the first scale or simple measurement cash is paid out to labor, and forces into use the fertile lands. Cash, going into circulation, is paid to two times as many consumers as need to produce the living, and when the cash is spent it will automatically establish a selling price for the living, at two times cost. The fluid money will allow any

particular commodity to get a price either above or below the standard, the measurement being used only to establish a base line for prices and a basic cost for all production either of goods or capital.

The moment cash establishes a standard market price of two times cost, the second scale immediately measures out profit money from the fertile land, by the price above cost being made equal to half the total cash spent for a living.

Profit arises wholly from the fact that labor, which has been set free by using only the most fertile lands, must be saved to be employed at other work; otherwise, the mere price above cost becomes a damage rather than a benefit.

If natural law did not provide and offer some other field for surplus labor than to merely distribute a greater quantity and variety of living, the gain from profits would be of doubtful benefit and therefore a third scale of measurement is required.

It soon appears to the merchants in selling goods, that the quantity sold at the least cost, will create a profit by sale in quantity, thereby gaining a sum which represents the wages spent by the labor not calculated as a part of the cost of goods.

Profits invested in capital become a double gain because capital returns its own cost and

pays interest besides, the fertile lands that grow capital are therefore in great demand and cities grow with astonishing rapidity upon a few select locations over the civilized earth, because consumers concentrate there and vast quantities of goods may be sold at the least cost for distribution.

Commerce established a rate of interest for the use of credit money before coined money or capital appeared, and a new measure arose for fertility, that may be improved with capital and thereby completed the scale of measurement when interest was set aside from profits. If, for example, the rate of interest is twenty-five per cent before capital appears, this rate will represent the cost of money to build capital, wholly independent of its cost in labor. A rate of interest at twenty-five per cent means that "time" has entered into financial calculations, and a new and secondary circulation of money has made its appearance, which must have more than one year's time to return the cost of capital.

If the land to be built upon can collect no more than twenty-five per cent profit, when the rate of interest is twenty-five per cent, it will follow that the cost will never be recovered, and fertility at that location is too low to be improved.

The builder must have an equal field in which to borrow with the merchant, who not only pays the current rate of interest on the cost of his

goods, but who gets back his investment the moment the goods are sold. Money invested as capital must not only collect the current rate of interest, but must also collect the principal within a given time which is fixed by the rate of interest.

The difference between the return of money invested for capital purposes and money buying goods is a difference in time, the merchant may recover his principal one or more times each year besides interest and profit, but capital must have a term of years.

A rate of interest at twenty-five per cent establishes a time during which the principal of capital must return in addition to interest, and no matter how low the rate may fall below twenty-five per cent, the fall merely extends the time of returning capital money, leaving capital itself as a clear gain to its owner by its collecting profits of no less than two times the rate of interest.

At twenty-five per cent interest, four years must elapse before the interest will equal the principal, and to return the principal within the same time, capital must collect fifty per cent profit each year.

When capital sells for two times cost, the profit from its production and sale will be the same as the profit from the sale of goods, and the wages capital pays above a living should balance the cash wage, that only buys a living.

The rate of profit is divided into two equal parts, by making the rate of interest half the rate of profit. One-half of the profit is permitted to pay the cost of capital, just like one-half the cash is permitted to pay the cost of goods, and the division of profit into two equal parts forces into use the most fertile lands to get the required profit.

Any single class of goods can get as much of the total cash as its particular demand can attract against all other demands, and any particular location can get as much of the total profit as it may attract, each location has its limit in profit for the capital that may improve it just as other fertile land has a limit in its productiveness.

When capital is beginning its development, the profit derived from cheap construction will be high, because there will be little cost for land and total profit on living will establish a high rate of profit upon a small quantity of capital, to thereby greatly stimulate building if land values did not quickly rise to destroy the builders' profit.

In the early development of new capital, and following the growth of science, the rate of profit is very high, and will, like the atuomobile business, permit the capitalist owners to develop tremendous plants and accumulate great wealth from profits and with no loss to labor or to other capital.

It will be admitted, without argument, that the growth of the automobile industry in the

United States in less than a generation, creating more than a billion dollars of new wealth, did not take any money or credit from any other line of business, did not lower wages, but did add money and more wages to every line of business, although the average profit was more than a hundred a year per cent during the period of growth.

Automobiles were sold to the owners of surplus bank deposits and therefore did not take up any appreciable money from any other business, bank deposit credit was exchanged for the cash that built the plants, bought the material, paid the labor creating new wealth instead of lying idle and dormant in banks to create debts which would consume interest without paying wages or building capital.

The average rate of profit is a measure of the proportion existing between the total sum paid for a living each year by all the people, and the total wealth accumulated from the past. If total wealth is equal only to the annual cost of living, a base rate of profit will be one hundred per cent and the rate of interest fifty per cent; if the quantity becomes two times the total living for a year the base rate will fall to fifty and interest to twenty-five per cent and the lowest limit of interest appears to be reached when total wealth is ten times the total annual living, the

base rate of profit becoming ten per cent, with a base rate of interest at five per cent.

When a small cost of capital can collect one hundred per cent on a fertile location, and interest is five per cent, there is great inducement to build at greater cost to profit from the higher selling price, to tear down and replace the cheap structure with better ones that will collect more gross rent and sell for a much greater sum of money. Capital should increase in quantity very rapidly as the rate of interest declines, and would do so if its profit was not taken up by a rise in cost of land which destroys the advantage of fertility upon the best locations.

When total capital reaches about ten times the annual cost of living, it will be consuming, by its own cost, all the profit it can collect from the sale of goods, and unless wages will rise so that rent is directly paid from capital money, wealth will become a burden to its owner; capital will fall in ruin and serious trouble is at hand for a whole nation.

Our land laws do not now permit capital to sell above a cost fixed by a minimum rate of wages, because the cost of land takes up the price of capital above minimum wages, and capital cannot therefore create a quantity and circulation of its own money by selling at two times its labor cost.

The remedy will come when we force capital to sell at its natural price with land acting as the foundation for capital without having a money value. We will accomplish this result by simply refusing to make loans, with land value as security, limiting all loans to the cost of building, and make all securities payable like bank deposits in cash on demand, and have such payment protected by the required reserve for each corporation or structure.

CHAPTER 6

Circulating Money

How many thousands of years the human animal remained stupid to the sublime moving picture of the changing seasons we may only guess, but finally, the great miracle of spring, summer, autumn, and winter, the growth of vegetable life under his feet, and the perils of wild animals, did impress the human savage and he began to cultivate the soil, to tame wild animals, and make a step in a long chain of progress.

When the soil was stirred with a crooked stick, its yield was increased, and mankind began directing certain natural forces that before were undirected by human hands. By directing forces of growth a man could obtain advantages for himself that another man did not get from the free supplies of nature, population could largely increase above what nature, undirected, would supply with a living.

There arose, for the benefit of certain tribes or classes of men, a new fecundity of the earth that was to become the source of a new and higher type of mankind, enabling the race to advance step by step as more and more of the earth was explored and cultivated, and as more and

more natural forces were directed for the benefit of mankind.

The rise of intelligence, above that of the brute, is based upon gains of an easy living that come from directing labor to produce an increase that would not appear without intelligence. The power to direct natural forces, however slight, contained germs of all the higher mental and spiritual powers of man for the power to direct is a spiritual power, higher than any of the physical or vital forces that animate the world.

Although the greed of the savage was the foundation for subduing the powers of nature, although an easy living to some, with slavery for many was at the base of a pyramid for higher powers of intelligence than the brute, yet by so founding the advance of man upon savage greed, it could not fail, for thereby was planted in the mind of savages a dawning intelligence, a growing sympathy for the oppressed and a love for all mankind.

If we could discover a law by which minute particles of protoplasm bring about a great variety of living forms, it would doubtless be found that each unit, besides being alive, had also the power to appreciate the fact of its being alive, and by combining and organizing such units, the joy or appreciation of living was increased, for an organized collection of cell life.

The protoplasmic units are compelled to combine in certain ways, determined by laws of growth which limited the joy they might receive, but permitted them to secure more and more satisfaction as they developed into higher and higher organisms.

In a similar way when savages unite into tribes the tribes soon began to cultivate the soil. The first simple organization of savages creates another social unit, a unit of gain in a higher life, not only for the tribe itself, but a gain that is communicated by the tribe to each member; the tribe is more powerful than any savage, and any member of a tribe is more secure than a savage unattached to a tribe.

Belonging to a powerful tribe gave security and personal pride to each of its units; it gave birth to a new kind of appreciation of life, a tribal life. Each member could no longer act in utter savage selfishness, but had to consider whether or not the tribe would approve or condemn his acts, a new consciousness of life was born, a tribal consciousness.

With the tribe life began a dawning appreciation of a higher type of social organism which was for the benefit of a higher individual man. The gains that came from the fecundity of nature, upon which the power of the tribe was based, were gains that made differences and distinctions between individual members of the tribe.

The wealth that arose represented a gain in social power; it became a measure of what the individual could procure on account of the tribe to which he belonged, over and above what otherwise he might procure without the help of that simple organism.

The unit of tribal power, became a unit of value attaching to wealth that accumulated, and although wealth became the means of setting apart one class of the same people from another, and became a cause of advancing one nation or tribe greatly beyond the power of other nations, yet a nation could not advance unless the living for its people was made easier and happier.

Social power was contained in units of money, so that the whole vital force may be used to develop all the parts of a greater life for a whole people. Units of money become like living units of protoplasm, building up millions of forms of living things, each of a higher order, containing more organized units of appreciation or consciousness of life than the lower forms.

Money acts like living protoplasm in the social organism. Its single units may be distributed to vastly different kinds of life within the whole, just as units of protoplasm creates myriads of different living things necessary to the higher types.

The dollar of money creates a wheat crop, rye, or corn or cotton crop, by having certain units

of profit, or units of a higher appreciation of life to distribute, and while we may recognize wheat value as being distinct from corn, or rye yet the unit of value in the dollar has no such difference.

The power to direct the fertility of the soil so that it will produce its right proportions of wheat, rye and cotton, as well as thousands of other things, is held in the power to direct dollars of money, to employ labor with money, to buy material, and to build according to a certain unit of profit that money carries, which determines just what amount and what kind of production may be carried on for the general welfare.

The fact that labor will not be employed with money, or that goods or capital will not be produced unless each dollar of cost has added to it a certain amount of profit, greatly complicates the problem of its circulation.

When a ship is built it is found to have an hereditary life, which is to say it was developed by a process of evolution from a hollow log, which was its ancestor, and it improved by slow stages. Each advance from a hollow log to the modern palatial steam and electric ship was controlled by the small element of gain that money would give to every dollar of commerce.

When the steamship, as we now have it, appeared, the gains that were required to create it from the hollow log did not disappear, but

remained to reproduce the modern ship, which has its own proportionate part of the annual gain according to a hereditary share.

What complicates profits is the fact that they are units of hereditary life we get from ancestors, and are not anything the living may take credit for producing, and at this point all prevailing theories are gravely at fault in asserting that profit is a loss to the workers who appear to pay it by an increase in cost of living.

We advance from lower to higher stages of civilization only as we learn to cultivate more soil and more kinds of soil, to open mines, to develop minerals and metals, to build farms, towns and cities, all of which capital accumulates from the past, but it gives an enormous surplus without cost to present labor.

The great benefits from civilization do not come from "labor," as we commonly use that term—meaning present-time-labor—but come mainly from the accumulation of past-time-labor, without which present labor could not support half the population at a very much lower standard of living.

Civilization consists of a high structure of capital that has functions and organs for the body politic, just as our own complicated bodies have organs and functions to carry on the manifold activities of human life.

We depend upon an accumulation of wealth from the past, upon an accumulation of knowledge and intelligence from the past, upon institutions of government, education, religion, law and order inherited from the past; these we reproduce in the whole body politic, according to laws of inheritance, as each family must reproduce itself in its children, and depend upon laws of heredity.

This heredity reproduction, not only of the wealth we possess, but of the education we must preserve and improve; the arts and industries must not be forgotten.

The whole body politic must be reproduced according to an hereditary plan, and keep improving upon that plan, the circulation of money demands the reproduction of all we get from the past, which we must improve and transmit to posterity, and for that reason circulation of money is not easy to explain, carrying out this superhuman, this Divine and most intricate plan.

Keeping the fact in view that tomorrow morning we inherit billions of wealth from the past, but must produce each day what we consume in living, it should not be difficult to keep separate in the mind, the fixed capital that may be sold by its owner for a future living, from the goods that must be provided as fast as they are consumed.

This separation of past-labor from present-labor, future living from present living, inherit-

ance from life itself, is provided for in having two distinct and separate circulations of money-cash money and credit money, cash being confined to merely paying for and buying the living day by day, while credit converts past labor, or capital, into cash when it would be spent to live upon.

It is not easy to explain how two separate kinds of money can move side by side, each dollar being of equal value, and yet be held in different channels that do not interfere, but such is the case, and it makes the complication and mystery of money.

Probably the most difficult single fact to get clearly in mind, about the circulation of money, is that cash money, consisting of all government coined paper or gold, is a primary money that is confined to a very narrow channel of buying the living each day, and of measuring the cost of living.

Other buying must take place with credit money which governments have no power to coin, no control over its quantity, its value or circulation, it being held outside of human interference by natural law.

A supply of government money will regulate the quantity of credit by the amount of interest it will pay on each dollar of cash collected from the cost of living, and by a rate of interest which divides dollars of profit into smaller units.

The difficulty in realizing just why cash is strictly confined to buying the living for all the people, rich and poor, why it is limited to measuring the cost of production, comes from the fact that no good reason appears for such restriction.

It seems to any man that he need not spend all the cash he receives for living, but may accumulate cash and buy anything with the surplus. Although one man may accumulate a small cash surplus, millions cannot do with all the cash, what one man may do with an insignificant part of it.

A total quantity of cash is coined by a government to be paid out in daily wages as cost of labor and only as much will be paid each day as will be spent; what is paid one day cannot be spent the same day, therefore the total quantity will divide into sums of daily wages, until pockets are saturated, and until as much is spent each day as will pay for living the following day.

The market demands a quantity of cash that will be able to pay on the spot, a quantity of cash to balance the supply of goods in store, so that no time will be consumed by waiting on a circulation of cash.

The whole quantity divides into about sixty days' supply, and while one day's cash is being used fifty-nine days will collect in pools, waiting its turn to pay wages and buy a living, and any man may accumulate a small part of this pool of cash.

Cash, lagging in pools, does consume time in waiting so as not to take time in acting. Credit takes advantage of this "waiting time" of "lagging cash" to provide a secondary quantity of money which has time to circulate, and to balance the time taken to move goods from producer to consumer.

The difference between cash, which has no time to circulate, and credit which is given time, keeps the two circulations distinct, allowing cash to measure what is being constantly consumed, while credit measures the time that must elapse until accumulated wealth is reproduced.

With pools of cash waiting in banks, credit is created payable in this waiting cash, and it has then as much time to circulate as will elapse between the time it is issued and the time it is redeemed and cancelled. Banks can float a certain amount of credit payable in cash on demand, which amount is based upon the lagging cash they hold in reserve.

The reason a government cannot increase the supply of cash so that it will provide a quantity of money to buy capital, comes from the fact that the power to coin credit is based upon the cash banks hold in reserve, from which they coin five dollars of credit for every dollar of cash the government coins, and a government cannot compete with banks in this channel of circulation.

The moment the government inflates the cash currency, banks will inflate credit five times greater, and keep the same relation between the quantity of cash and credit; hence disaster follows inflations of government money seeking to supply cash for all purposes.

The circulation of money is as intricate as the circulation of living corpuscles in the blood, and like the blood there are two distinct systems, one flowing through the arteries and veins, giving a daily supply of living material to the body, and another in the lymph and cellular tissue, which corresponds to liquid credit.

It should be quite clear that modern civilization cannot survive if it should lose its vital money circulation. All panics, periods of hard times, and the fall of empires result from some derangement in the vital supply of money, some interference with credit that destroys the value of inherited wealth, and interferes with the great purpose of civilization.

It has been proposed to do without money, to provide some system of labor checks by which present labor would get all the money and nothing would be paid for the accumulated labor of the past; every such attempt must wreck civilization.

No man has ever been wise enough to explain how a steam locomotive, or a great turbine engine may be bartered for potatoes and corn, and no system of barter or arbitrary exchange can fit into our complex organism.

Circulating money! How easy to say! How common and vulgar appear the plain facts—Circulating money! It is as if one were to say, "I see many things in colors and forms, in clouds and sky, in flowers and trees," but yet was wholly unconscious of the great blessing of mortal sight to man, so are we unconscious of the blessings of money.

I look upon a forest in autumn, on a mountain when the frost has painted its leaves, I look upon the sea and note the restless waves with the deep reflection of the heavens they carry, and I need not explain, even to myself, nor understand the divine ecstasy I feel.

But, alas, for human poverty and misery! I cannot look upon the circulation of money, and know the power of that circulation for the happiness of man and not seek its meaning, its full purpose and seek to discover its laws.

On my left hand are wide fields, where useful human labor performs tasks that ought to be joyful, and I take one dollar from millions to spend in a miraculous market that spreads out all about on my right.

Taking one dollar in the morning I split it into smaller units, and with two pennies I buy a morning paper giving me a sight of the whole world, without thought or labor on my part. I pay five pennies for a street car ride of miles, while many thousands are working that I may

ride swiftly in ease and comfort, with no effort from me and unconscious of the labor in my behalf.

Simple spending seems to be the beginning and ending of a vulgar use of money earned with hard labor, while in fact it is the most important link in a long chain of evolution, which ends with a market more wonderful than all the gardens of the world, where thousands of goods appear as if from seeds planted in the fields of Heaven.

Dollars are indeed wonderful seeds that instantly bring forth into the market what the heart desires, seeds planted with great care, not by man but by that Master Workman who makes the lilies grow, "Though they toil not neither do they spin."

When a man spends money to buy goods, it is as if the things he buys came forth into his hand at the command of money, at that instant, created direct from the hand of God, without time or labor, coming from a great organism of which the individual is unconscious.

The spender of money holds in his hand a creative power which is only to be compared with the creative power of God that calls life and objects into earthly existence by the mere exercise of creative intelligence; money is the intelligent creative power of God placed in human hands.

There are many conflicting and silly theories about the "money power" and about the power

of God, theories that make up what man calls his highest philosophy about life, death and immortality.

To get a distinct view of the modern world-wide philosophy we should behold, money in human hands as the highest developed cells of living creative power, and we should behold in man a being who is endowed with divine intelligence that he may become fit for an immortal life upon this earth, and who is so endowed by his being a spender of money.

Money in human hands has a power of magic, as if upon a stage a magician was saying to a world-wide audience, as he holds to view discs of money, "I drop this metal coin into a slot and a measure of wheat will appear without taking time or labor. I pass along and drop a coin into another slot and flour appears prepared for the baker, and from another place, bread will appear as money opens the magic door."

Go with me into a Broadway, New York, restaurant for an evening meal, with its bright lights, music, dancing and song, with wine on the tables, and where joyous and well-dressed men and women are at play, at the tables will be found the three philosophies of modern life.

The first and foremost philosophy is among the so-called learned, represented by the dissecting scientist who comes to his dinner with a bad digestion from a diseased liver, and with blood

poisoned from the lack of free flowing air to his lungs.

The scientist will say to himself, as he looks over the tables, "This room is nothing but a cell among a collection of similar cells, called a building on Broadway which is only a dirty channel between collections of similar groups of cells called buildings." "The city of New York, what is it? A diseased kidney of the body politic, and these people, Bah! they are microbes floating in the food supply, coming here to gather fat and waste time, little insignificant corpuscles."

Philosophy number two, misnamed "religion" is represented by the reformer, who would compel every one to live according to a pattern, which his own narrow and egotistic self would impose. The reformer sees nothing in the gay and happy throng at the dinner but a place to propagate what he calls vice and sin. He is a reform parasite that finds delight in living upon diseased tissue of the body social; he would abolish wine and song and destroy woman, except for the milk she may give to the child she alone may supply.

This class of reformers are mental eunuchs to whom vice and sexual excitement brings mental joy. Being denied the delights of normal joyous association with the happy sex, they seek to abolish some form of conduct, and their own abnormal sex passion leads to world-wide persecution and murder, in the name of religion and reform.

Sitting on a park bench I have noticed, on bright pleasant days a fashionable limousine with its woman owner drive near the benches and stop, in all the pride of wealth and social position where the most persons could admire her. Taking a paper bag in her hand she would scatter bread crumbs to the sparrows that flocked about on the drive, and then depart with the joy and satisfaction of good work done, returning the next pleasant day to the same task.

To my mind this woman is a type of modern reformers, although in her case the disease is in its mildest form, vice reform, drink reform, socialism, anarchism, spitting reform, dog muzzling and their kindred are all manifestations of the same erratic sexual disease of which the eunuch is the physical type.

The reformer is infected from an impulse of the great nerve system of the social organism, which acts upon his weak nerves, weak mind and shallow soul.

The nerve development of the body politic reaches a point in its growth where it can make the individual feel the pain which the masses of people are forced to suffer from human injustice.

To ease this pain from the suffering of others, which greatly interferes with a reformer's egotistic contentment, with his selfish personal joy, he adopts one or another scheme of reform with the belief, pleasing to his selfish life that he is

helping to relieve the misery of others. By making a speech, asking an investigation, organizing hundreds of futile and silly associations, reformers seek to escape the pain, and the greater duty of understanding the true conditions of their fellows who suffer.

Our reformers and reform societies rise up in their mental limousines, proud of the work they are doing when they scatter a few bread crumbs to the twittering sparrows, and, easing their own pain, they return to their selfish personal enjoyments, satisfied.

At most of the tables are the people who live and practice the third philosophy of life, which is chiefly to be happy and joyful, to make others see the good of living in our good old world. They seek happy associates, love children and good living, seek bright faces, even when found with wine, woman and song.

The real philosophers of joyful living sing "The moving finger writes, and having writ moves on;" such people are human in joys and trials, but carry out the divine purpose, which is to be happy yourself and being so make others happy. At the dinner the philosophers of joyful living make the best of the present moment, not realizing perhaps that the present moment is always the immortal time. Immortality is found in present happiness; present time is the immortal time; that only is mortal which has become the past,

and the future is important because it brings us to the immortal present.

The spenders of money, the enjoyers of living, are the real pioneers of religion and morals for they bring immortality into present existence, they gain an immortal life after death for themselves, and help others to become fit for an immortality that means a succession of happy lives on this earth.

Spenders need have no fear of death, it holds no terrors to them, since it is the door to a renewal of youth for another period of happy living on earth; they have no fear of hell, of sin or the devil.

The real immortal is he whom we call sinful. He is a man whom women and children love on account of and in spite of human sins that line the path of enjoyments. "To sin is human" for it joins together the human being and the god in search of happiness, which is but a quest for the immortality of the soul.

CHAPTER 7

Counterfeit Circulation

In the imagination of a story teller the secret of creating a human being was discovered by a scientist who was able to bring forth from his laboratory a man of intelligence and great physical power, but he could not endow this creature with a soul.

The story deals with the career of Frankenstein, a man without a soul, who delighted in doing harm to those who trusted him. He found his happiness in the misery of others; it was his selfish pleasure to inflict pain upon those to whom he was most indebted for favors.

When empires rise to power and greatness, after a people toil in slavery for centuries, when inherited wealth should bring comfort and happiness, the people in their dismay find the blessings they expected from wealth turn into evil. Instead of spreading comfort and ease broadcast, wealth begins to impose burdens of over-work and poverty that did not exist before it was created.

Somewhere in the laboratory where empires are born there comes into wealthy nations a Frankenstein, with superior intelligence and physical power, who seems to take comfort and ease

away from the common people, deny them the happiness wealth brings and turn the gains they struggled to create into engines of misery and want.

The greater the wealth, the more temptation for the Frankenstein monster to loot. The richest nations are the first to fall, to go back to barbarism from an increase of poverty in spite of great wealth on every side.

A Frankenstein monster has always appeared in history to wreck every civilization of the world until our own times; working amid poverty and misery in cities where wealth is most abundant, and where its display by the rich, creates the utmost discontent among the poor.

The church, the military power, and courts of law, had to have some control over wealth, and its income. To advance a people higher than savages, power was given to the state, to the church, to courts and to a class of rich property owners and this power, in some strange manner, became a monster of evil no one could master, and when the time came to curb the power of family wealth, the nation failed and its decline and fall followed.

With wealth concentrated to a few rich families, to estates of kings and lords, to rulers of the church and army, the people become helpless. It was as if an actual devil had taken the reins of power from the hands of man, and was ad-

ministering the state for the injury it might inflict upon a helpless mass of laborers.

Modern civilization, in spite of its science, machinery, railways, factories, telephones, steam and electricity, its system of education, its laws and courts, its congress and parliaments, its voting and debating, has not escaped its Frankenstein, on the very contrary its vastly greater total of wealth gives greater power to the owners while suffering and discontent becomes a rising tide to finally destroy the nation.

The experience of history points with direct warning to one cause that wrecked all other empires, and to one condition that was responsible for their fall; the cause was the concentration of income property to a small and rich class of owners, with labor entirely cut off from such ownership, and this condition somehow brought about an ever increasing difficulty in finding work at living wages for millions of permanent poor.

Flatter ourselves as we may, with modern institutions, with applied science and mechanics, with steam and electricity, with church and state, governments and education, democracy or republic, we are doing nothing to prevent the same catastrophe from the same cause, we face the same poverty among millions, that brought ruin to every nation in the past.

The evils of unjust distribution are generally admitted by students of the subject, and many

theories and schemes of reform are being proposed which do not touch the vital cause, and fail utterly to propose an adequate remedy.

Ignorant, and blind leaders of the blind, politicians and plotters, are seeking power. Socialism would destroy private property in order to cure what they call "capitalism" and to do so would give tyrannic power to an oligarchy of hate which they call "Labor" without showing the first faint glimmer of intelligence concerning the causes at work destroying civilization.

There are many theories and schemes promising a future heaven on earth, from prohibition that is bone dry to Bolshevism as practiced by Lenine in Russia. All such schemes are artificial, none recognize natural or spiritual law, and all believe that organized society is something that legislators may order about, and change its fashion as a man may order a new coat from his tailor.

The trouble between capital and labor may quickly and easily be remedied when the cause of that trouble is laid bare and when that cause is removed, and it cannot be remedied until the cause has been discovered and removed. No matter what promises may be made, we will fall and perish in common with cities now buried in sands of the desert unless we find the true solution. It is too late for half measures of relief. The immense benefit of accumulated wealth cannot go to labor unless it goes from an increase

in wages above the sum labor must spend every day for a living. Unless wages will provide a surplus to buy a share of wealth, labor can have no share.

The most popular remedy for admitted evils is to abolish private property by substituting government ownership, to make the most dangerous experiment on the living body of the social organism ever attempted in the history of the world, as Russia now abundantly demonstrates.

Unable to explain how the glutted wealth may be widely diffused, or why it concentrates to a small class of owners, it is proposed to abolish entirely the one great civilizing power found in private ownership of property; it is proposed to put the body politic on the dissecting table where the most ignorant of quacks are to perform a major surgical operation certain to be fatal.

To concentrate all income property to one corporation called the government, will forever close the door to the circulation of money. Property can never be sold and spent to bring about the higher level of wages which modern civilization demands, such procedure will only hasten the day when poverty and distress will bring its train of evils to a whole people to end in anarchy and universal ruin.

The problem of a rich class arises from the apparent fact that, as far as any man may judge, the rich receive no special favors from laws of

the land. A rich man apparently buys his wealth in a market where every man has an equal opportunity to gain the same money, who failed to do so because he was inferior in education, brains, or money-making ability.

A natural law always seeks to apportion wealth with substantial equality to all the people as it apportions other benefits of nature, but that truth never entered the mind of man nor appeared in the literature of the subject, hence: it was but natural to assume the rich to be a superior class with no law in their favor.

A number of years ago, a clergyman was found guilty, along with others, in Chicago, for printing and passing counterfeit money, and when he was asked to explain, by a newspaper man, how a man of God and a teacher of morals and religion could engage in an enterprise of that kind, he made the following answer:

"I did not believe it was wrong or sinful to put a counterfeit in circulation, if it could not be detected, for if it passed the same as good money I would then have been doing a benefit by giving my country a greater supply of money, and although I gained wealth for myself the people would have more money for business and labor would be better employed.

"What harm would I have been doing by increasing the supply of money? The country needs more money, needs more rich men. I

could have built houses and factories, given money to the churches that need it badly, and helped the colleges and libraries."

The fact that counterfeit money gave the clergyman wealth without earning it was of no consequence in a country where men may become millionaires overnight; and the further fact that labor must somehow earn the wealth that someone gives away in benevolences and charity seems quite absurd to the man who judges facts by appearances.

The argument for maintaining a rich class in every country has always been the same kind; the rich spend money to give labor work, they buy and build capital, for otherwise labor would not be employed; they carry on works of benevolence and charity that the government refuses, or is unable, to do, and no one is expected to lose by the wealth the rich accumulate.

The adulation of the rich man, in press, on the stage, in pulpit and in fiction, is but a return of the old flattery of kings and their royal favorites. It was not wise to oppose the king with his power to punish and reward, and it is not wise to oppose the rich man who has a similar power today.

The modern millionaire has more power, more gifts to bestow to his favorites in public and private life and to members of congress, than the government; he may give away presidents of great railway systems, create directors of banks

and officers of factories; he has more livings to bestow on the church than any king in history, and more power over labor than the builder of the pyramids, who sacrificed thousands of slaves that his bones might sleep under an imposing tomb.

If there are honest rules in the game of getting rich, we need to know such rules, so that we may all play the game with equal opportunity under the rules, and see that no one works to our undoing, and to our loss. If each man has an equal chance tell us how it comes about that only a few are millionaires.

There is a rule of crime—stealing, taking without giving value received—a rule the most simple-minded understand. There is a way to gain wealth by issuing and passing counterfeit money, with little or no cost to the spender, money labor must earn to give it value, money which labor must redeem.

When one of the players in a game supplies marked cards which he alone may deal; or when another plays with loaded dice, the natural rules of chance are no longer in force by which each player has a chance to win, for the simple fools are fated to lose before the play begins; and so has it been with labor and the accumulation of wealth.

The millionaire class is as much a superior class as counterfeiters and gamblers who play

with marked cards or loaded dice, who may be deft at that game, but should be credited with little else than a gift of gambling.

While a country is newly developing its land is given away without cost, and billions are bestowed by a rise in value of land; then the newly created capital must be distributed as a gift to its first owners, but the benefits are expected to go to labor at a later time.

After the natural resources of a country have been improved with railways, cities, towns, farms, factories and mines that same capital must be rebuilt once in fifteen years, without adding to the total wealth, and without increasing the quantity or variety of goods, it then becomes a vital matter whether or not labor shall again repeat the first gift of wealth to its owners, without gaining any benefit for itself.

Capital is built the first time, without a supply of money for that special purpose, and therefore is charged to labor as a loss, by compelling labor to pay two times the cost of its living, but after capital accumulates as past-labor, and must be rebuilt, then it has its own money and this capital money is intended to bring about diffusion of wealth among the millions.

Capital, in rebuilding, has its own supply of money, but when capital money fails to circulate banks are compelled to put counterfeit into circulation for unless labor is partly employed with

counterfeit tens of thousands will be always out of work, under our present land and debt laws.

Each billion dollars of government cash, will turn over six times a year and pay six billion dollars as cost of national living, creating three billion dollars profit to capital, upon which debts are based. Each six cents of interest is expected to circulate one dollar of cash during one year, and pay that dollar in wages over and over again, but when interest creates a debt which promises to return money in the future borrowed money becomes a counterfeit which consumes the interest.

With three billion dollars profit each year paying about six, per interest each one billion dollars should support fifteen times its own value of capital but debts may be created of eight billion dollars for each one billion dollars of interest, and the debt money becomes counterfeit preventing a wide distribution of wealth by substituting a dormant dollar of debt for a live dollar of good credit money.

The dollar debt puts into circulation is only spent once but continues to draw interest year after year; hence, debt money buys once for the rich and fails to return to buy wealth for the laboring class.

If I were to say to any property owner "There is a cloud upon the title to your property because it was purchased with counterfeit money he

would answer, "The money buying my property was identical with other money, with money that buys goods, and you should be put into an insane asylum, or be in jail for teaching a doctrine of that kind, undermining the sacred right to property."

Because a man buys property with money in general circulation does not settle, by any means, the question of whether or not it may be a counterfeit which has not been detected like other counterfeit money getting into circulation.

If cash could be counterfeited with success, the false coiner might soon become a millionaire, getting good money for the counterfeit and turn it quickly into property, and build factories, railways, office and apartment buildings.

Cash must be fixed and limited in quantity, the same dollars must be used over and over again, and counterfeit cash would quickly increase the quantity, so that sooner or later it must be discovered and the guilty coiner punished, if it was not detected it would saddle its cost upon the public by increasing prices, a loss labor would be compelled to shoulder.

Credit money, on the other hand, is not fixed in quantity, the government has no power to coin or circulate it, each day it comes newly into use and each night it is cancelled, and when counterfeit credit appears it cannot be separated from the genuine.

When debt promises to pay cash in the future, the fact that the promise is a lie, will not be discovered until the debts mature. By evading payment on demand and by consuming interest while holding money out of use, debt money becomes a counterfeit to all intents and purposes, when it buys property and is cancelled it cannot be detected.

Capital must be built upon fertile locations where it will collect cash to pay interest from the buyers of goods, and we use interest money to finance a quantity of credit that will buy capital in its own market.

It is the location that enables capital to collect profit, not merely because goods sell to consumers for more than cost, but because the sales are made in great quantity by massing consumers in cities, and because the expense of each sale is low, and the saving creates the profit capital collects.

Capital is first built as an experiment, it must demonstrate the fact it has a proper location and may collect two times the average rate of interest on its cost, whether it be a farm, a factory, theater, hotel, office building, railway, or public utility.

If capital makes a mistake in selecting its location, or if it is poorly constructed on a good location, it becomes a loss, not only to the owner and builder, but a loss to society at large a loss charged up in the cost of living.

The power to charge unsuccessful capital as a loss to labor is the thin edge of the wedge whereby counterfeit money gets power to circulate, for if a natural law charges the failures of capital to labor in a higher cost of living, then the human law may be so framed that successful capital becomes a loss to labor carried in the higher cost of living.

Ten thousand dollars is advanced for an experiment in building upon a location that seems fertile, it must collect, from the sale of a living its cost of ten thousand dollars with interest, for unless it does collect two times the rate of interest each year it will not be a success.

Assuming it has been properly located and built, it will collect, above cost of maintenance and repairs, one thousand dollars each year to return the money consumed in building, or ten per cent, and another thousand dollars interest at ten per cent, in ten years, twenty thousand dollars, or two times cost will have been collected.

If the builder borrows ten thousand dollars cost money, he may become the owner of the building without debt at the end of ten years, and his creditor, being paid twenty thousand dollars, could buy the same building as an investment paying ten per cent.

The builder, however, is in the business of producing and selling buildings as a manufacturing proposition, he is not expected to wait ten

years on one building paying its cost, to get money for another, and if a successful building will return two times its cost in ten years, the annual interest from ten buildings will create the same money once every year.

Labor cannot wait ten years, or one year to be paid for buildings it may create, and if it is paid, such payment must come from the sale of buildings in a market supplied with money to buy them, the same as the commodity market finds money to buy goods.

If payment for capital may be postponed ten years then it becomes impossible to pay labor for it each year, and some scheme must be put into practice by which money can wait ten years. Debts provide the avenue which evades payment to labor for the capital it supplies year after year.

When the builder must pay ten thousand dollars in advance for a location, half the income will be taken in advance to return the cost of land, and thereby debts destroy the rotation of credit by which labor may be paid for the capital it produces.

If capital must collect two times the rate of interest on its cost then banks will anticipate the return of cost money. Profit from selling capital at two times cost will keep the banks supplied with credit money that will turn over once a year.

A natural law supplies money without waiting ten or more years to collect that money from consumers, a supply which is created by a market price of two times cost, but if land is permitted to take one time cost, then capital must sell at its cost.

There are many grades of fertility, seeking capital to develop them; from farm lands that will support one hundred dollars per acre of capital, to the best locations in a great city, where an acre will support a building costing ten million dollars, to sell for twenty millions.

A small rate of interest creates a low cost for capital on fertile sites and should make men desperately anxious to build almost anywhere in the civilized world, if the market will buy capital at the standard price of two times cost. In a natural capital market the extraordinary demand upon labor for buildings and material would exhaust the labor market, and force the rate of wages from a minimum standard, which buys a living, to a maximum standard which will allow labor to buy its share of wealth.

Selling capital at two times cost will keep in continuous circulation, a great volume of genuine credit money based on higher wages. Labor need not wait, nor the builder wait on money in a market where capital sells at its standard price.

Land owners control fertile locations while bankers control credit money. If a lot will sup-

port a ten million dollar building, and collect rent on two times that cost, the building should sell for twenty million, or ten million dollars profit; giving money to increase wages now taken to increase land values.

Fertility gives the owner of exceptional locations the opportunity to demand almost any price when it carries a margin of ten million dollars; and land can advance in cost at a few locations until all the margin by which wages may advance has been absorbed by a rise in value of land.

The land owner, without effort on his part, forces the builder to come to him to buy the place where profit may be secured thereby creating the direful competition that keeps the market glutted with unsold goods; keeps labor unemployed, and keeps wages at actual cost of living.

The natural law will not permit money to circulate when paid as cost for land. Money must turn over, must be paid to labor in wages and must be spent; money buying land cannot be spent for labor producing land; a debt must carry a cost of land which has no cost in labor.

The natural law will not supply money to pay a cost for land, the builder is therefore forced to borrow the cost of his land; the owner taking a mortgage, or sells a mortgage to bankers and investors. Because a mortgage can never be

actually paid, it is given a preferred lien upon the total value of land and building combined.

The law gives the owner of the mortgage a preferred lien upon the money a property may sell for, because the lender has postponed his claim upon money, and waits the impossible return of that money. Here is where the human law interferes with a natural law which will not postpone payment, but would anticipate it.

The banker learns from experience that postponing the payment of large sums will not produce the money, but will increase the demand for money the debt promises to pay and, as a result, when property is forced to sell in such a market, it rarely brings more than its debt, and the owner of the debt must take the property because there is no other buyer for it.

The accumulating demands upon money by debts to be paid in periods of from five to twenty years, soon begin to segregate the demands upon money into two great cycles when debts fall due; namely, in periods of ten and twenty years, giving tight money and hard time periods every ten and twenty years, at which time debts must be liquidated in large number, so that business may continue with the credit money thus set free.

CHAPTER 8

Gold

In many ways gold has been one of the most interesting subjects in the world, not only because it is used for money, but before it was so used there was a fascination about it, among savages as well as civilized men.

Poetry, fiction, love and war are interwoven with threads of gold. It is sometime master over the soul of a man, and sometimes it holds the destiny of a nation in its gilded embrace. Whether or not, gold so interesting in other fields, may hold that interest, when we seek to trace its power and mystery in fields of finance, is doubtful, but the importance of finding the power of gold in the growth of civilization will be admitted.

Gold is an intricate subject for investigation on account of a connection between cash and credit, labor and goods, which gold was able to establish. Gold is a sort of spiritualistic medium through which a certain past life of a people, represented by capital, is made to live again through the circulation of money, to become an hereditary gain from ancestors acting in a body politic.

How to illustrate the mediumistic power of gold is a hard problem, for we cannot appeal to

that fascination by which it takes the center of the stage in art, commerce and literature, but must be content with handling common facts.

The gold bug must be handled scientifically, but it is something more than a metal; it is much like a gold bug, it is a metal and a medium with spiritualistic powers; there is something supernatural about it, a medium between the work of the living and the spirit of workers, no longer living.

A parallel could be established for a short distance between gold as a metal, and the carbon which is a basis for all growth of vegetable and animal life, for without carbon we could not imagine how life could acquire a material body.

Yet gold is different in the body politic. If we somehow could connect carbon with cells of protoplasm that builds up the human body we could then have an illustration of units of money or gold, building the capital of society by repeating the birth of an ancestral past and improving upon that past.

The importance of gold to mankind is based upon the time labor must consume in supplying a people where money buys the living. If a savage people could live without cultivating the soil as birds and fishes live, gold would be the same as another yellow pebble.

When different kinds of goods are very plentiful and cheap at places far apart, and other goods

are scarce and high in price at such places, goods will move from where they glut a market to where they are in active demand.

Oranges, for example, will rot with a great crop at the orchards while apples will do the same at another part of the world, but when exchanges may be made, each surplus will take on a high price that will prevent what otherwise would be a waste of the bounty of nature.

To make exchanges, to take loads of apples from one part of a country to where oranges may be had, and return with oranges, consumes time and labor, and a bridge of some kind must span the time taken by goods in seeking the best market.

Something had to come into play that could represent a missing half of each trade where goods were separated by time and distance, something that would not consume labor, and gold was early on the job, able to fulfill that condition.

After a people learn that trading a surplus they cannot use for another surplus they do not have is very profitable, such knowledge becomes of great advantage to them; they begin urgently to seek all sources of trade, fields of production widen all over the world hunting for new varieties to trade, and for new quantities of cheap goods to be sold at profitable prices.

Shipping developed as a carrier of goods over the easiest roads, over rivers and oceans. When a ship leaves a home port with surplus goods to trade for other surplus, time, labor and a ship is being consumed by the voyage.

During the time of travel goods are waiting to be exchanged and both goods and the ship may be lost at sea, at which time gold is able to make good such loss by its being held at some safe place where it may build another ship.

The mystery and power of gold is found in its ability to represent any kind of goods in travel, to act for a missing half in every trade, and to represent a ship or any other capital. The real importance of gold has never been correctly explained, although thousands of volumes have been written about gold and its connection with trade.

The failure to explain gold, in its capacity to insure all kinds of value, arises from a false theory of trade, devoid of common sense, having no facts to sustain it, a theory employing such phrases as "free trade" and "free competition," as if trade could be other than free trade, or as if competition could possibly be free.

Making an illustration of trade to include all the facts is far from being simple. To give an illustration as simple as may be: suppose a ship takes on a cargo of apples to sail to another port and return with a cargo of oranges—suppose

one apple will exchange for ten oranges where they are in great abundance, and one orange will trade for ten apples in a like fertile territory.

The very important fact to get firmly in the mind in regard to this exchange is that apples sell for ten times cost, measured in oranges, and oranges sell for ten times cost measured by apples, for the cost of an apple is another apple exactly like it, and the same is true of an orange.

The shipper would take apples and sell them so that he could return with ten times as many oranges, and if he could sell the oranges he would have his profit, but not in any commodity as present theory asserts when it says trade is a mere exchange of goods for goods. According to theory profit will not arise with the perfect exchange of commodity for commodity under free trade and with free competition.

The shipper takes all the apples his ship will carry, and buys all the oranges he can carry, for the return voyage, and thereby secures a profit from the sale of apples and will get another like profit when the oranges are sold.

He does not take his profit in apples or oranges, nor do any of the men who work upon the ship, but you may say the money they get will buy other goods, buyers of apples and oranges make and sell other goods, and hence at last the whole exchange is goods for goods with all profit cancelled as the classical theory of free trade holds.

But when other goods are produced and sold the same rule is found; they are produced in great abundance to be sold where they are scarce, so that every sale makes a profit, and such profits accumulate, they do not cancel each other, and the more trades the illustration embraces, the more absurd the prevailing theory becomes.

It ought to be as plain as a pike staff that the men who sail ships, and the men who build ships, do not impose their labor upon those who work the fertile lands, they are not a burden, but earn their own living like the labor whose goods they consume.

The profit obtained by selling oranges and apples above cost does not in any way affect the exchange if all prices are equally advanced to create such profit. Profit must pay for ships and goods lost at sea, and how would that be possible if trade was nothing but an exchange of goods for goods, and did not include an exchange of capital for goods?

The men who work on a ship and the men who build ships, must be paid out of the earnings of a ship, which means out of the value of a ship, and they cannot be paid out of the value of goods, but can be paid out of the profit that arises from selling goods at prices above cost when such higher prices are paid, in the end by capital and not by goods.

Profit money is created as an addition to the quantity that buys goods, for unless this was the case, capital would have no money with which to build, or sell. Profits must finally be paid by an exchange of capital for goods and by a distribution of wealth to new owners from money provided solely for building and buying capital.

The trade of goods for goods does not cancel profit and leave no remainder in a perfect system, as theory asserts. Trade over the world in goods does not balance or leave a slight remainder that must be settled by sending the difference in gold. Such a theory is contrary to all the facts and to common sense, although it is almost universally believed by writers on the subject.

Every trade leaves a profit on each side for each commodity when it follows normal lines. Taking goods from where they are cheap and plentiful to where they are to sell at a high price, creates the profit that must be exchanged for capital.

The accumulation of profits from every trade creates a quantity of profit or capital money, and gold obtains its great powers by being able to create this profit which will exchange past labor for present labor.

Living day by day consumes all the goods we produce and a part of all our capital, but goods are entirely consumed, while the value of them is renewed entirely from new goods. Capital on

the other hand has a permanent value not so consumed, the part consumed is replaced each day so that its value will remain fixed and permanent.

Where does a ship get a value in present money which may last a hundred years in the future? Or a building get its value? A railway, building or a ship must contribute something to the standard of living for the present generation, from travel, shelter, amusement, education or leisure. Capital collects just what it contributes to the better living of a people, and the cash interest it collects will create its own credit money that should buy and distribute wealth among the people like cash buys and distributes goods.

The value of a ship, or other capital, must be given to it by money set aside for that purpose, and such value cannot be given by the same money that puts value into goods. Goods sell above cost so as to carry the germ, or profit dollar that will then create the money upon which the value of capital depends.

This brings the explanation back to the place where gold is held to insure the loss from a ship going down at sea, or the loss of a cargo. If each cargo and ship had to have a quantity of gold set aside to balance its value so as to insure it against loss, then gold would have no power to represent the value of ships at sea or what they contain.

When a ship is successful, not only is no gold taken, but the owner of the ship will pay for the

use of the gold the same as if that gold was itself a commodity, entitled to its profit from a price above cost, and on that account the same gold may be used over and over again, like the ship itself.

Experience will prove to the gold owner that he may multiply his profit by having the same quantity of gold insure as many ships and contents, as may safely be done; for with the same gold giving security to twenty times its own value it may collect a profit equal to five or more times the annual rate each year, and it thereby creates four or five times as many dollars of credit as there are dollars of gold.

When gold is able to insure twenty times its own value it thereby creates another quantity of gold that has no material existence, creates a spirit power of gold sailing with the cargo or ship at sea, and this fact permits credit money to multiply cash so that there may be five times the quantity of credit there is of cash.

Credit money buys and sells past labor, which has no material existence, it does not therefore demand a money having a material body, but as soon as a ship is lost at sea, or goods are lost, then spirit credit money must create material money to equal present labor with which to replace both ship and goods.

The value of gold does in some measure depend upon its material quality just as carbon has its

peculiar quality, separating it from all other chemical elements, but gold does not depend upon its color or glitter.

Surplus goods sell at prices above cost, and while gold can never be in surplus when used as money, it must sell above cost, which its production at mines enables it to do, and it is therefore like all other commodities.

Gold when exchanging like other goods will sell for a like profit as a commodity, but while other goods are consumed and the value of them is restored by new goods, gold is not consumed but its value is permanent like that of capital. It gets this permanent value because it can represent a commodity in trade and collect interest money by becoming the missing half of commodities in every trade where time and distance intervene.

Gold gets its power over money, and its basis of credit because of its dual nature to become either capital or goods at any time.

When gold insures a ship at sea it offers a value of gold as a commodity equal to the value of a ship, and these values are made equal by the fact that a gold dollar can collect the same interest from the cost of living as can a dollar invested in a ship.

The ship is past labor, and when it sells it must sell for money that will buy the services of present labor, money to buy goods or leisure. How is it

possible to have in circulation a quantity of money to buy past labor equal in value to present labor, when the accumulation of past labor in ships, railway systems, factories, mines, farms and cities will call upon present labor for ten years work to balance the accumulation from the past?

The vast surplus of past labor is prevented from coming upon the market in quantities greater than present labor can itself pay with credit money from the fact that past labor is represented by spirit money, which will not buy present living unless it is converted into cash, and thereby cancelled. The quantity of cash being strictly limited, it follows that the cash set aside to cancel credit is also limited, and will thus limit the amount of money that may buy accumulated wealth each year.

Past labor has no cost of living to pay and its money circulates in spirit form as a bank check, or form of speech, and it exchanges for material cash, but it must be cancelled when used to buy a living, altho it may circulate as an independent currency, in many lines of trade to a better advantage than cash, and may be used in much greater quantity.

The value of property is crystallized past labor, which must be kept equal to the value of present labor, as wages rise or fall, without changing the price of capital. This equality is maintained every minute of the trading day, by the con-

stant exchange of credit money for cash, dollar for dollar.

To get a quantity of credit money that is not cancelled to remain equal with a quantity of cash, so that it may have the same value in buying capital, each unit of credit money is given its value by pennies of cash interest for one year, which sum of interest is collected from the cost of living.

The ability of gold to insure ten or more times its value has the effect of creating that much spirit gold, for ten or more times the quantity of reserve gold is promised to be paid. The same gold represents ten or twenty times itself in trade, and this is surplus spirit gold, that becomes credit money.

The power of gold is not found in its peculiar qualities as a metal, although it is universally desirable on that account. Savage people will gladly exchange any surplus they may have for its value in gold, but the higher the civilization the less influence has the glitter and color of gold.

Gold holds a peculiar quality in being the only substance in commerce that is both a commodity and capital at the same time by which it becomes a money metal; it can become a commodity any place in the world to exchange for any kind of goods, and it can become capital in any market of the world to collect interest by insuring ten or more times its own value in goods or capital.

CHAPTER 9

Banking

The oldest business in the world, and the most successful is the banking business; it is also the most essential, and needs therefore to have a foundation that will not give away, supporting, as it does, all other lines of endeavor.

With banking in trouble every enterprise comes to the brink of disaster, and when banks are "shaky," the whole business structure wobbles. For this reason the natural law must be as closely followed by the banks as the human law will permit, and the success of banking depends upon following the rules laid down by a power infinitely above the human law.

Banks are so carefully guarded by natural rules that when human law establishes mortgages, postponing money to a future time, banking is provided with a counterfeit currency that will supply money as long as new debts can be created to consume interest.

The path banking takes to the road of success is not hard to find or describe, for it is the simple one of not permitting it to postpone the payment of its debts into a distant and uncertain future by mortgage, but to maintain deposits payable

on demand and keep them at par and on a cash basis all the time.

No matter how great or small the capital of a bank, within reasonable limits, be it ten thousand dollars or ten million, it will be equally successful under the rule. Competition, hard times, and falling prices, will not directly interfere with success, as it will with other lines of business.

Does not this fact of banking success point a moral and contain a lesson from which other lines may profit? If a study of the basic rule of success for banks is a rule other lines fail to follow, how great would be the gain by adopting the banking rule in every business?

Follow the rule of a cash business, and notice if you can call to mind any failures, from competition, hard times or low prices, where there is no mortgage, and where every demand upon the business to pay its obligations is met with cash.

A cash basis, under the rule for banking, does not demand a supply of money from the business; on the contrary, it may be equally successful if not a dollar of its own money is engaged. Actual success depends upon how much greater may be the amount of other money, than its own capital a bank is able to use.

The money owned by any bank will scarcely earn enough to pay room rent at the location it requires; a bank must borrow from five to twenty times its own capital; the greater its

power to use other money than its own the more efficient, under the rule, and the more successful it becomes.

A bank starting in business, for example, with but ten thousand dollars of its own money would have a gross earning of less than a thousand dollars a year, and in the same proportion a bank starting with ten million would find its expenses above receipts from its capital, and will need ten times as many dollars of deposits as it has money of its own.

The rule of success is the same for all banks, whether the money of the banker is ten thousand dollars or ten million: he can make profits only as he can use borrowed money to the tune of ten or more times his capital, and doing so, each bank is on the same profitable basis.

This seems, however, to be contrary to another rule of natural law that debts are the greatest crime a nation may commit, for borrowed money is debt of some kind. The debt that becomes a fatal disease in the body politic is one that postpones into an uncertain future the payment of money. When a bank borrows money from depositors it does not put off the payment of that money into the future, but on the very contrary its business enables it to pay on demand ten times as much money as the cash it holds for this purpose.

A bank, instead of postponing payment to the future, actually creates new money, and after

having created this money it proceeds to loan it on bonds, mortgages and other long time future payments which destroys its regular turnover each year.

Banks secure deposits of ten times the cash it need keep on hand, and is able to pay cash to any depositor who needs the money. If a debt postpones payment that should be payable on demand, then capital money fails to return to circulation until the debt is paid, when it should turn over once every year, and would do so if all loans were payable on demand.

Banks are not permitted to postpone the payment of deposits; trying to do so ends the career of that bank, and therefore statute law, knowing disaster from experience, allow banks no choice in the matter. Payment on demand must be made, or the bank must go out of business.

The human law that keeps a bank on a cash basis requires it to keep on hand a certain sum in actual cash at all times, which is a fixed proportion of its total deposits, payable in cash.

The natural law fixes the sum of cash that will keep credit equal to cash at about ten to one; that is to say, one dollar of cash cancelling checks all the time, will permit the bank to meet the demands of ten times that amount of deposit credit.

The amount of reserve cash for each particular bank depends upon the nature of its business, and

bank laws recognize this fact. Savings banks have a reserve in cash as low as one dollar in the hundred, while reserve banks that supply other banks with cash in critical times need about one quarter of its liquid capital, one dollar to four of deposits.

A bank cannot count as capital its marble building at the center of business, its costly burglar proof vaults, or its expensive and ornate furnishings. These are not the things that make a bank able to pay on demand, are not banking capital, in fact, for only the cash on hand in actual money will permit a bank to remain safely on a cash basis.

To get a clear distinction between the rule that makes a cash business a success and failures in other lines of business, it may be well to compare banking methods with corporation financing, using for that purpose, one of the greatest corporations in the world, and a very successful one, The United States Steel Company.

The United States Steel Company has in round numbers a capital of fifteen hundred million dollars upon which it earns interest and dividends, which capital is equal to deposits of that sum, due to investors, money of the public the corporation uses in its business, like deposits of a bank.

The deposits of capital, however, may divide into three or more layers, according to an amount of fat that was found necessary to protect each

layer so as to secure actual money from the public in financing and promoting the enterprise.

Three classes of owners have three different legal kinds of capital invested, whereas the law will not permit a bank to make such inviduous distinctions among its depositors; three different claims upon the money value of capital are stratified by three kinds of securities, one being preferred above another.

In a total of fifteen hundred millions United States Steel capital, the first layer is protected by two outer layers of fat, and it consists of six hundred and twenty millions dollars in bonds, a preferred royal class, having a divine right to steel money in advance of money paid in by other owners.

After the royal owners come the barons, another layer close to the king, but of less divinity, who may claim their money, after royalty has been paid, viz., preferred stock, three hundred and sixty million dollars, and next in order comes the bourgeois, the common herd, of owners who hold common stock calling for slightly more than five hundred million dollars, and who get what may remain after liquidation.

Without criticizing the stratified securities of this concern, which is contrary to the rule of banking, a rule all corporations must obey or finally fail, let the reader picture what would happen to banking if it was permitted to stratify

its deposits in three layers each having a different claim upon the money of a bank.

In such case banks would be relieved of paying deposits and need only pay the interest, and three classes would have different rights to such interest; the lowest class would be constantly losing its money, to be followed by losses from the next lower, the owners of the first liens getting it all in the wind up.

Depositors instead of having accounts of a fixed value at any place payable on demand would have deposits of fluctuating values for every bank, each day, as new quotations were made, leading to speculation in bank accounts similar to speculation on a stock exchange when depositors sought a market, wherein to exchange deposits for cash.

In such a system the depositor requiring his money would be compelled to find a buyer among his acquaintances or the public, and as millions of them need a market, a Depositors' Certificate Exchange would arise like the New York Stock Exchange, where buyers and sellers would come to speculate on deposit accounts of banks.

If a Depositors' Exchange actually sold deposits, for the sum they called for there would be no gain except a small brokers commission, and it would be of no advantage to the banks, for it would take as much money to pay them as if the banks were paying on demand.

It would quickly become apparent however that ten per cent or less of the entire sum on deposit would call for actual money each year, leaving ninety per cent that might be manipulated, allowing sales to be made on what is called margin, and by putting up ten per cent in cash a buyer might call a deposit his own to speculate with, as is done with stock certificates.

The fact that ninety per cent of all deposit accounts are waiting their turn to be paid, and the whole sum is called once in ten or twenty years, violent financial panics would gather in ten and twenty year periods from such speculation.

This parallel between what is called an open market for capital and a cash market, will demonstrate that banking would be impossible if its funds were at the hazard of a competing market.

Banking is the best and safest business in the world, the most respected because it follows a natural law, and has a closed market where no speculation is possible, and where every claim for money is equal and is paid on demand. May not all other lines of business follow the same rule?

HOW BANKS ARE PLANTED AND GROW

Banking is difficult to describe, although it keeps simple accounts of a cash business between its depositors and borrowers. It is difficult to

describe because it maintains a great co-operative balance between hundreds of millions of accounts all over the world, and a ten-fold greater account of past labor which capital brings into present markets.

When a settler in a new country, for example, builds his log house, the account between his labor, and the house he occupies is very simple, the forest supplies the lumber, the fertile land grows the surplus living, giving him spare time to build and improve his land. In later times, when life has become much more complex, houses are supplied with unlimited hot and cold water by turning a tap, with unlimited light by turning a switch, with telephones, baths, heat, elevators and the like, four hundred families may live in one house, and then no human calculation can keep the account between a laborer and the house he lives in, but natural law makes such accounts automatic through a system of banking.

When we see natural automatic accounts out of balance, the rich living in idle luxury, and millions of laborers unable to find work, false conclusions arise from the very complexity of the system, and right conclusions are only possible when we learn the natural law.

Banks were not born into the body politic fully developed as they now appear, but have come to their present state by a slow process of development from small beginnings, starting

perhaps from saving a loss of time in barter markets, with a crude token money, like savages now use.

The present deposit, loan and discount banks are very ancient institutions as history marks time; the origin of modern banking is lost in tradition, but it is certain that banking came from a combination of cash and credit before coined money appeared.

The early banker was an insurance agent who gambled on the chance of a ship being lost at sea, or a caravan of goods being attacked by thieves, the banker agreeing to make good any loss for a share of the profit, and he thus became a silent partner in every business in which his funds were engaged.

The stock in trade of the early banker, was that of a gold or silver-smith, and dealer in precious stones. Money did not appear as a standard coin until banking had been in existence for some hundreds of years and it is important to remember that credit money was the beginning and cause for coining gold and silver.

When a banker supplies gold he supplies the missing half of goods that must appear in every trade. Shipping could then go forward to complete a trade when it had but half the goods the trade required, and by thus supplying half the value of goods the owner of the gold could claim half the profit, and thereby interest developed.

An idle ship can have no value in present labor, no matter what it may have cost in past labor. The same is true of an empty, idle factory, or building. Capital must get its value by becoming active in combination with present labor, and banks make past labor active, change the potential inactive labor of the past, into kinetic and active labor of the present.

To illustrate the growth and principles of banking, and the part a bank plays in the life of every community, a small sample bank may be used as an example because the functions of every bank great and small are identical.

Before banking may take root and grow, the financial soil must be prepared in advance by the circulation of a certain amount of primary cash, trade must have made its beginning, and labor in different classes, farming, trading, building, manufacturing must be getting cash as wages, and spend it to pay the cost of living.

When a city needs a bank, the money to do a banking business does not come from the outside world. Banking must secure money in actual circulation in each community by mobilizing cash during a certain period when it is waiting, and in so doing banks may increase total money five or more times by creating a bank check circulation.

Each community will attract a share of the Government cash which will depend upon the

number of laborers it may profitably employ upon total wages paid, upon the time it will take to have wage money move completely around its circle, to be spent and again paid to labor.

It takes time to earn money by labor, to earn and spend money and return it to the place from where it started. It is labor time that determines the quantity of cash which will be required to meet all demands, and it is very strange that students of the money question seldom observe this fact.

One day's supply of cash must equal that day's cost of living and be paid to all kinds of labor in wages; it goes into pockets, and unless a quantity is on hand, to pay labor the following day the supply would fail. The quantity of cash must be able to pay total wages day by day until pockets are saturated, and until as much cash is spent in cost of living as will provide for the next day. This quantity of cash equals about fifty days wage money.

With fifty days' supply of cash on hand, and only one day's supply being used each day, there will be forty-nine days' supply waiting to be used in pockets, or in pools at banks. A fifty day supply of goods will accumulate in stores to balance the fifty days' quantity of money; one fiftieth of the cash, and one fiftieth of the goods will exchange each day.

A fifty day supply of cash with only one day's supply passing from hand to hand is the most important element in banking, because it permits forty-nine days' supply to be waiting its turn to be used day by day. Banks mobilize this spare money, and use half of it as reserve to supply bank checks which are in many ways a better business money than cash.

If labor is being paid but once every two weeks, cash will lag between such pay-days and return in a great swell for several days after; merchants buying goods in advance, to sell in sixty days, will also create tides in the flow of cash.

The banker gets his stock of cash, by mobilizing the lagging cash in the hands of merchants, landowners and others, who are primitive bankers, making small loans to men they know personally.

The first duty of a new bank, in any town, is to secure the best business location it can find, where it will reach its customers with the most convenience, the same as a meat market or grocery; the banker has credit to sell which the butcher and grocer use to buy food or other goods.

The only inducement the banker offers to the owner of lagging cash is to deposit it with his bank, where he will keep it more conveniently and return any or all of it when called for, allowing the depositor the convenience of issuing a bank check calling upon the bank to pay the depositors' money to whoever he desires to pay.

The banker never fixes a time when the entire sum he owes will become due and payable, or when a bank will liquidate its debts, for if it did the bank itself would then be out of business. The first important fact connected with banking is found in the offer of the bank to return any part of each deposit when called for by check.

The bank, moreover, will not give a depositor any security for the money he may deposit and loan the bank, while requiring the utmost security from the same depositor, should he borrow his own money, instead of checking it out. The bank in effect says to any depositor: "If you doubt the ability of the bank to pay any, or all of your money, at any time, just come and get it and take it away."

The payment of any part of a deposit, on presenting checks by the owner or by anyone he desires to pay, inflates the currency by the amount of check money in constant circulation but such inflation does not advance prices. When a depositor can get any part of his money on demand he will never call for more cash than he needs from day to day, allowing checks to pay all bills except the cost of living.

A natural law governing the circulation of cash, puts a very narrow limit on the need for cash each day, but supplies fifty times as much as may be used each day. This law permits checks to enter the daily circulation and to do

all the work of money requiring time to pay, which time is strictly limited by the consumption of goods.

Cash can give no time while a check must be exchanged for cash to have its measure taken to keep its value equal to cash. This step in exchanging for cash introduces "time" in circulating money, which is most important to the business of the world.

The bank check may go to another city and return before it is cancelled; one check may pay and cancel another thus creating a secondary circulation of credit five times as great as the primary circulation of cash.

Although the banker would not at any time be able to pay his deposits in cash, if they were called, yet he is able to pay at all times with cash and bank checks combined; for this reason the promise to pay cash on demand is actually carried out in practice and in spirit, if it cannot be done according to the very letter of the promise.

In the sample bank used to illustrate banking, we will assume a bank begins business with no money or capital of its own, because banking must conduct its business with the lag in cash in every community, its money becomes an insurance fund to insure payments among depositors.

Let the sum of lagging cash the sample bank is able to get, be forty thousand dollars and then an equal sum will be in the pockets of the people;

the banks' forty thousand dollars will represent the moving money. The greater the number of depositors who bring spare cash to the bank, the better, within reasonable bounds, for if one man deposited the whole sum and could call for it on demand, he would have the bank at his mercy, and could make it suspend business at his pleasure.

Forty thousand dollars of spare cash becomes the foundation of the bank's business, and it will be called back into active circulation every fifty days, in common with the remainder of the primary cash. But when checks go into use they supply all the needs for money except to pay the cost of living. Banks being required to return the cash to circulation that can no longer lag, receive other cash, then beginning its lag, to replace it, and the banker finds he has forty thousand dollars cash on hand practically all the time.

As soon as the bank collects and mobilizes spare cash in any community, all demands for loans will come to the bank that before were poorly supplied by individuals, who could only loan it once while the bank may loan it five or more times.

Merchants come for loans to cover the time goods take before they reach the consumer; manufacturers come for money to buy raw material and meet payrolls, all of which demands are known as commercial loans, using credit for

short periods—thirty, sixty, ninety days and six months.

Commercial credit will soon establish its own channels, and use a certain amount over and over again, as goods and raw material are produced and consumed over and over again.

If a bank had no other depositors than the ones who bring the spare cash upon which all its business depends, it would be a poor bank indeed, for it could not then supply demands from commerce, not counting greater demands from capital.

When the lagging forty thousand dollars has been deposited, the advantage is all with the banks' creditors; the bank owes forty thousand dollars, has contracted heavy expenses, and has no income. It would soon be forced to quit business if it could not loan forty thousand dollars of cash four or five times, and increase its deposits in order to do so.

After forty thousand dollars has been loaned once, the deposits become eighty thousand, by the loans becoming new deposits, while the bank will have the same forty thousand dollars on hand to create a check circulation that supplies credit money.

Forty thousand dollars loaned at eight per cent would bring an income of but thirty two hundred dollars a year, not enough to pay the rent, and a bank must keep expanding its loans

and deposits, if it expects to pay expenses and make money.

The business limit of any bank is found in its ability to pay deposits in cash on demand, and as it cannot increase its cash above the forty thousand dollars that lags in circulation, that sum will fix the total amount of deposits it may take.

The limit of a bank's deposits is about ten times as many dollars credit as there are dollars of lagging cash, so that a bank may keep building up deposits until they are about ten times the reserve cash. This limit of ten to one is not an arbitrary limit for each bank; it is a balance between cash and credit for all banks.

Each bank will discover its own limit to loans and deposits, depending upon the active or dormant use of its credit. A commercial bank will have eight to ten times as much deposit credit as cash; a savings bank will average a hundred dollars of deposits to one of cash, while building and loan associations may go higher.

The banker discovers his own limit by the call of his depositors upon his reserve cash; the greater deposits grow, the greater the demand upon reserve cash, and when deposits and loans are in excess, the cash begins to leave the bank to go into outside circulation. When the limit is passed he must contract loans and restore a safe balance between cash and deposits. At such

time the banker will shift the long time real estate loans to investors, and clear his bank of undesirable long time paper.

Commercial loans do not take more than about one fourth of total deposits, and after establishing commercial credit there will remain three fourths of deposits for other loans, which should be used to finance building, the same as the one fourth is used to finance commerce.

When a demand for capital loans appears, a cost for land begins to multiply the troubles of the banker; money must be advanced to pay capital cost, but when credit is so used the loans are rarely paid when due, and unless a bank is careful, it will soon find its credit tied up with real estate loans that are never paid.

When the price of land is rising, building is in great demand, and profits from rising land values increase total profits, and allow new loans to replace the old, clearing old paper out of banks with new debts, which soon become as hard to carry as were the old ones, and therefore a panic or stringency of money follows every real estate and building boom from an increase in debts that cannot be paid.

By shifting loans and selling mortgages to investors banks are able to keep the more profitable and less dangerous commercial business, and therefore banking divides into its several classes, commercial, savings, investment and trust banks.

When a land and building boom comes to an end by a rise in cost of land, local banks find most of its credit tied up in real estate operations and a panic usually follows a boom, because commercial credits have been sacrificed to meet speculative demands.

In the early days of development when a few men secure the most fertile locations without cost, when capital is cheap and profits great, there was no danger to banks in loaning money to build upon and improve lands, for the high rates of profit create new bank deposits faster than capital consumed them.

When the quantity of capital, however, increases, its demand upon the commodity and labor market becomes enormous, with the rate of interest falling, and the cost for land rising, making building loans by banks so exceedingly dangerous that few banks dare venture into that field.

A fall in the rate of interest will extend the time given the income to pay the cost of capital, to return the money loaned for building. A rate of ten per cent gives ten years' time, while deposits are payable on demand and banks should be able to collect loans in practically the same way, without waiting more than a year's time.

Total credit money is limited, it must be renewed every year, and it is this fixed limit in total

credit which banks often experience to their terror without seeming any wiser on that account. There is the same limit to the number of times total bank deposit may be loaned when loans are not paid, as there is to the number of times the cash reserve may be loaned to create the deposit account.

The limit to mortgage loans, bonds and other investments is fixed by the total amount of interest collected each year, which can be paid on the debt. The limit in interest money will soon be reached when debts are not paid and keep accumulating, a panic comes over night because bank checks in large quantities go out of circulation.

Assume, for example, the total cash upon which all credit is based is one billion dollars, and it turns over six times during a year paying wages and buying the living and thereby creating half that sum in profit money—profits of three billion dollars.

Only half this profit may become interest, and when debts collect one billion dollars interest each year, no more debts may be created, and the cost of land will then prevent all building or rebuilding because no money to pay that cost can be borrowed.

When a country reaches its debt limit the cost of land becomes most disastrous, for as long as debts may grow, the cost of land may be paid by

creating a debt. But when debt limit is reached, all money for building goes out of circulation, because no money can be had to pay for land in advance of building upon it.

When capital has borrowed all the money it can give security for, the demand for loans from capital does not therefore come to an end, but becomes more and more insistent, especially when banks seek to have loans paid.

Banks, finding no credit available for commerce, when fixed debts absorb the interest money, then developed a new scheme to relieve credit stringency known as rediscounting merchant bills, or piling new debts upon old debts that could not be paid.

Rediscounting commercial paper means that the loan first made to merchants is used by the bank before it falls due to become security for another loan, by which the banker gets inflated money to make a new loan because he has no credit.

To rediscount merchant bills means that the rediscounting bank must be given the right to print paper money when the limit in commercial credit has been exhausted. It is held necessary to keep the new money out of the general circulation to prevent an inflation, by which each dollar of new cash would become the basis for fifteen dollars of new debt.

Rediscounting banks may emit a currency which is kept out of the wage circulation and cannot be used to pay the cost of living or create profits and interest, when limited to the rediscounted paper and is then quickly cancelled and taken from circulation.

The Federal Reserve Banking System of the United States is an intricate and elaborate rediscount system, having billions of resources, expected to supply unlimited quantities of credit to finance commercial short time paper.

Federal bank notes, however, must limit the usefulness of the system because they limit credit by the quantity of such notes the bank can float, which may be inflated a billion dollars very rapidly to be contracted as rapidly, and in the end will only widen a gap that will again be filled by permanent debts.

This Federal Reserve system does not and will not relieve the demand for capital loans, at best it can give but temporary relief to commerce; the insistent demands from capital and from a cost for land will continue to work evil as long as debt continues.

The ownership of land, supported by the laws of every civilized country has been the curse of the world, since history has been written on account of the debts it creates which destroy an essential and vital circulation of credit money.

Fertile lands, poorly improved, are held for the advance in value, and powers of government are used at all times and at all places, to bring about an advance in value of land for the benefit of a few owners without regard to the effect upon the public.

CHAPTER 10

Why Money is Stringent

In seeking to discover principles from millions of facts, no field of research in the world offers the difficulty found in a tight money market; in no other field are the facts treated with more contempt, in no field are foolish and lying theories given greater prominence.

Nineteen out of every twenty families in the United States experience the fact of tight money almost every day of their lives, but know nothing at all about the cause of it; they know money is hard to get and easy to part with.

When millions of laborers are suddenly without work the fact that money is stringent becomes the chief news of the day, but in ordinary times people are not willing to admit they find money scarce, although they will admit most of their friends and acquaintances are worried about money.

In hard times no foresight on the part of a business man can prevent tight money, the loss of markets, or falling prices for goods. All suffer alike when masses of labor is out of work from no fault of its own. There is scant sympathy for labor when it suffers from the chronic tightness of money which keeps thousands con-

tinually out of work. It is pointed out to the workmen from pulpit and press, that if any man really wanted work and was willing to do any kind of work, willing to hunt it, and travel and seek and seek, he would find work, it being unthinkable that work could not be found in such cases.

Why should such different points of view separate the laborer from the business man, farmer or manufacturer? The man without money is out of work, whether a business man or laborer, and is the most helpless creature in the world, more helpless than an animal that can lick up a living from the bounty of nature.

The fear of becoming an outcast is uppermost in every man's mind when his supply of money must be spent as fast as it is received. Being without money is a night mare to a man's soul and haunts his dreams. A man will not admit to another a fear so deadly to his peace and happiness, not even admit to himself that he or his family, his wife and children can be in such grave danger as he finds among the very poor.

It is not the prospect of physical suffering, or even death, that brings about a sickening fear of being without money, it is to fear a loss of friends, associates, fear of losing the culture and family life that is the basis of enduring happiness.

Stringent money is hard to describe; it is as if loaves of bread became scarce by a power of evil that, in fiendish delight gave to a favored

class mountains of loaves it could not use, gave another class many loaves to waste; to others all they might need, but the supply ran out and many could get no bread; so it is with the distribution of money.

Plenty of bread for all is in plain sight, but a malevolent spirit interferes with its distribution. No benefit comes to those who get more than they need, while needless suffering and misery is put upon millions. If, to relieve the stringency more bread is produced, it is only to discover that it keeps to the same unjust and unequal channels of distribution.

What theory could be more comforting to the class who suffer from a need of money, than a theory that the power from whose hand money is being paid out is a respecter of persons and is therefore bound to take notice of ME, and not let ME and MY family suffer, for is it not self-evident that I am superior to the outcasts on the streets?

Conceit suggests that "I am a darling favorite of the gods," but no truth is more certain than the Ruler of the Universe by law has no respect for individuals, and no one is above His law.

If one hundred thousand of the submerged population in helpless poverty is classified and card indexed, according to the life history of each, such an index would bring out a cross-section of the people from the top layer to the bottom, each

having contributed its true proportion to the permanent poor.

If, for example, we have one millionaire to each one hundred thousand of the population, there would have been selected one millionaire by natural law to fall to the bottom of the social pit, and that will be true of all classes; even kings are not exempt. The common laborer is more numerous among the poor, only because of the greater proportion of common labor among a hundred thousand people.

Money starts on the trip around the circle from the top, which is to say, "from the market," the business man handles it first, splits it up and passes it along the line to finally pay what is left to labor after deducting more important expenses, labor getting money last according to what is most needed by the market, and without regard to any who may need work or wages.

The stringency that is of importance is one that seems to have been entirely neglected by finance writers, but is the one that must be relieved if labor and distribution problems are ever solved; it is a stringency of credit responsible for keeping nineteen out of twenty families in every country, short in the daily supply of money going to them.

To be able to appreciate to what extent money is stringent it is only necessary to compare the markets we now have in the most prosperous times with a natural market, and a permanent

prosperity we should have at all times. When labor shall buy all that labor may send to the market, at a price such a market will create, then competition will become impossible, labor will never be out of work, wages must rise to the highest point the market can pay and profits reach the same high level.

It ought to be self-evident that a natural market is one that will buy all that labor can send to it; any other plan creates a surplus the market cannot buy. If there is a surplus why is not labor permitted to buy it, and why not buy all of it?

The sum of money failing to circulate, and therefore stringent, cannot possibly be any part of the cash, because cash has no way of avoiding circulation, no way of becoming stringent; it circulates as fast as natural law will permit, and usually turns over six times a year while credit is only expected to turn over once a year.

The exact sum stringent can be easily calculated on the present basis of production. Cash circulates without being stringent; hence it is not taken into calculation except as it will measure the amount of credit failing to circulate. The quantity of credit used each day in commerce, although an enormous sum is not a part of the stringent circulation, but it becomes stringent during panic and hard-time periods.

Commercial credit supplies the machinery by which cash profits are exchanged for credit, that is cancelled once a year, but banking is expected to supply a permanent circulation of credit, based upon the time taken to cancel commercial credit during the year; a credit not cancelled but used like cash in paying wages to buy wealth like cash buys the living.

Collecting cash profits and exchanging them for credit, will cancel a certain amount of bank checks each day, just like cash itself is redeemed each day buying a living. As cash has a sixty day supply on hand to represent stores of goods waiting to be consumed, so credit must have a quantity on hand to represent stores of capital accumulated from the past.

The lagging cash above the day's supply is able to keep a lagging quantity of credit redeemable in cash on demand, waiting to be cancelled, and it is this sum of lagging credit that ought to be in general circulation.

Capital represents past labor; therefore, its credit money has no cost of living to pay, it can wait, and for that reason its period of waiting has been so far extended into the future by debts as to destroy a most essential quantity of capital money.

Credit money, with no cost of living to pay, is not expected to buy a living. It is expected to circulate and pay a wage above the cost of living,

and when it is not permitted to so circulate labor cannot share in the distribution of wealth.

If the vast mass of the laboring world is to share in the benefits of civilization it must do so from a wage rate above the standard living.

How does the natural law regulate the supply of two kinds of money—cash and credit, so that one will stop its circulation when the cost of living is paid, and the other begin at that point and pay wages that must be spent in buying capital?

The modern family selects its living from an enormous supply, in a market prepared by centuries of cultivation and art. Its very appetites have been developed so as to create the modern life upon which some future and immortal man depends.

We easily satiate our animal wants with quantity of food, but the spiritual wants grow after animal appetites are satiated from variety and changing tastes. The desire for wealth, with its power and social prestige, brings an immortal desire that can never be satisfied by any quantity of wealth.

Animal appetites once satisfied, the market changes and creates a demand for capital, for nature does not permit unlimited desires in the brute only, but limits the market so that only a standard living can be secured for the animal, while higher spiritual development is based upon

the accumulation of wealth, the advance of science and culture.

Capital, and machinery, are intelligently directed by natural law to multiply the power of labor from ten to twenty-five fold, and when confined to providing an animal living will send an over-supply of goods to every market.

The curse of civilization has ever been a difficulty of finding employment for surplus labor and a market for surplus goods, while capital and credit money keep advancing the standard of living. The human law prevents the natural order which would distribute wealth so as to keep labor fully employed, with advancing wages to balance the advance in civilization.

The desire for food and shelter is easily satisfied, and when once supplied makes any surplus a sheer waste with food to rot in the fields unless the demand for wealth employs surplus labor.

There is an insatiable demand for wealth which pays an income, and if this demand had a money supply—the market would then buy all the goods and capital which labor and machinery could send to market.

If the earth and its natural resources was made into an "open shop" for labor, with every fertile location producing one hundred dollars worth of capital for every ten dollars of income; if capital was able to sell in its market at two times cost then a circulation of money must arise to buy

everything labor could produce each year and buy at a profitable price.

An "open shop" earth demands the full development of every location in cities, on farms, in mines and forests according to fertility, using the most fertile before the less fertile is improved, holding in reserve lands that will always provide for an increasing population.

There are a great many varieties of capital, in towns, cities, farms, factories, railways and electric power. How does it come about that the supply of capital can never become surplus and glut the market the same as goods.

In the supply of commodities from farm or mine, the most fertile land will produce at the lowest cost, and cost will rise rapidly as the margin of fertility falls. A fall in price of goods will at once destroy the profit, on the poor lands which will then cease to produce and force labor to find other work.

But fertility of soil for the growth of capital works the other way around. Capital fertility is many times greater than fertility of soil for food and raw material. One acre in the center of a great city is a million times more fertile in creating profit than land in grass that will support only flocks and herds.

Capital has every grade of fertility from an acre growing a building costing fifteen million dollars to the poorest lots that will support but

a hundred dollars of capital to improve them. In every case the cost of capital is the same without regard to differences in fertility of location, because capital cost is measured by a rate of interest, and not measured by its cost in labor and material.

Each ten dollars of income should support one hundred dollars of cost of capital, whether one acre will develop capital costing fifteen million dollars or another acre will only demand one hundred dollars cost of capital. The difference in fertility of soil is levelled by the difference in cost of improvement.

Not only is the cost of capital held to the same plane without regard to differences in fertility of location, but profit from the sale of capital is equally held to the same level; each one hundred dollars of capital cost will sell, in its natural market, for two hundred dollars because the rate of profit is always two times the rate of interest, which measures the cost.

The rate of interest measures the same cost of capital on every fertile acre over the civilized world and unites the whole world into one single organism. Every hundred dollars of capital, whether on a most fertile or on a poor location, will have the same cost and selling price, which fact should hold wages to the same standard over the whole civilized world, regardless of the cost, or a selling price of commodities.

When the rate of interest falls as low as five or six per cent, it should become practically impossible to supply the demand for labor, at a minimum wage rate and the rate must rise to the highest level wealth and goods combined are able to pay.

With the best locations once improved, the increase in credit money from accumulating profits, will get no interest and must reduce the rate of interest to open wide stretches of less fertile lands for capital at the lower rates of profit. When all capital, earning the normal rate of profit will sell for two times its cost, a new measure of profit arises, giving one hundred per cent on each location to the builder no matter what grade of fertility land holds.

Nature creates a demand for capital that is practically unlimited, which brings into existence a demand for labor, limited only by the power of labor to produce capital and to maintain what must become an accumulation to transmit to posterity.

The builder, able to manufacture and sell capital at a profit of one hundred per cent, will create an insatiable demand upon labor and compete for the labor engaged in providing the living, thus forcing the rate of wages for all labor to the highest standard the market is able to pay.

Although the natural law provides the money to pay wages at the highest rates, human law will not permit the natural demand to create its natural supply, nor will the human law permit the supply of capital to sell at two times its cost.

A cost for land rises to destroy the fertility of each location by taking up all the profit above the cost of living, preventing capital from selling above a cost fixed by the lowest rate of wages, and will not allow capital to sell in its natural market at its standard price.

A cost for land changes the earth from an open shop, where an insatiable demand for wealth would send wages to the highest limit into an earth closed against any rise in wages above the cost of living, and closed against the distribution of wealth among laborers.

CHAPTER 11

Parasite Evolution—A Theory of Development by Joy-Cells

Before describing the changes that must be made in our ways of doing business and before outlining a great program of construction which will bring permanent prosperity, it is necessary to explain how our separate industries and efforts must conform to a general plan for the advancement of all mankind.

Human law permits individuals to use power over labor for selfish ends contrary to the general plan of social evolution, but such laws interfere with the natural functions of the social organism just like a disease interferes with individual health, and we must learn how to avoid diseases of the social organism if we would solve our social problems.

It has long been the hope of students of history to discover why nations rise to a certain level in wealth, commerce and power and then either decay by a lingering disease or die a violent death from revolution, war and anarchy.

If history could be dissected and each period be divided into its particular type of social organism there would be disclosed a parallel or

similarity between the development of species in vegetable and animal life and a development of species in social growth.

Savages leave their caves and trees to unite into tribes that live in huts and tents where the family is given a slight protection from wild animals and from the elements. This cell like protection for the tribe will compare to the loose cells of protoplasm in the sea that get food from the flowing sea water passing through cells and walls but which have no organized functions or organs.

Beginning with savage tribes, there would be a very long time in history before the next great step was made bringing forth a much higher type comparable to the line separating the vegetable from swimming and living things in the sea. When the tribe learns to cultivate the soil, and to domesticate wild animals into flocks and herds, it takes on a fixed or vegetable existence and acquires a social body that may develop functions and organs for a higher type.

After learning the advantage of cultivating fertile lands, and easy living on that account, the advance becomes very rapid from an evolution standpoint, although famine, revolution, wars and pestilence wipe out millions in short periods, the increase in subsistence from cultivating the land keeps adding rapidly to the human population in favorable latitudes.

From the earliest cultivation of the soil to our time of science and mechanics each step will show the rise of a new social species connecting all the nations into one chain of evolution seeking to create a specific type just as man was the end of the chain of animal evolution in the perfected human animal. The rise in species along a selected road according to laws of Divine Intelligence was governed by what may be called a standard of living for each type, the lower types becoming the meat and fat and vital force for the types higher up, and as each type becomes more and more complex it must feed upon increasing numbers and varieties of the lower forms of living things.

Each new function for the higher social type had its elemental food prepared in advance by the type below it, and each organ of the higher type was similarly planned in advance by selecting a standard of living which consisted of lower forms of living organism.

All the lower forms become meat and fat having higher life wound up in molecules or tissues not only enabling each type to reproduce its own species but to secrete the fat that when preyed upon by parasites would cause changes from lower to higher species according to a pre-arranged plan.

When a savage tribe began its organic development it had a living world of vegetable and

animal life prepared in advance to sustain the peculiar requirements of each human unit, but in addition to supplies of vital food, in all lower organic forms, there was stored in the mountains and plains and beneath the surface deposits of material that was to become the body of a new social organism in its farms, towns, cities, ships, railways and factories, new forces were at hand in steam, electricity and other powers of mechanism.

Railway systems, factories, ships, towns and cities are living things that men do not create although they build them. All of the factors of production, distribution and social power are organized into one great living being we may call a Mass-Man, who never dies—who is immortal while millions of living units or cells, are born and die each year.

The first simple form of organic life in the world of living things has but a slight cell structure without functions or organs, it cannot move but is washed about by the waters. It has no sense of feeling, of taste, or smell, hearing or seeing. The first demand upon simple forms is to develop some sense of touch by which it may feel its way, escape danger and distinguish its food, a delicate feeling or sensitiveness to touch developed all over the outer surface of the body.

From this sense of touch by material contact, the other senses were developed. Seeing being a sense also of touch but not a material touch,

which at first could only separate the light on the surface from the holes in the ground that were the secure habitation of the earth worm; other senses of hearing, smelling and tasting were in their regular order produced for new species according to a general plan.

To secure its food, sea water flowed through a channel in a simple body, containing a small per cent of nutriment, compelling the whole activity of the body to pump sea water all the time to get enough food to live and reproduce the simplest form of organic life.

Simple tribes are like such cell structures that only seek food, and only reproduce, but they have the power of reproducing the tribe on account of its protecting the family and providing an easier living for all its members.

In the ascent from the most simple forms to mankind each of the types form a link in a continuous line of ascent and each such link in the chain, developed some special part that was to become a living human being, and was necessary to that end making each such link indispensable to the end of the chain where man appears.

There was, therefore, some essential cells that did not change with each type some central immortal cells that could not die nor rest nor sleep but must work and remember all that transpired in the past to again incorporate past gain into each new structure and this cell is admitted to be the unicellular protoplasm having immortal life.

The immortal part of each person has no past and no future, the past is stored in the hereditary structure it builds while the future is held in the hand of the Mighty Power that plans, while only the present concerns the immortal man.

It is quite beyond the power of the human mind to trace the work of this immortal cell unit of protoplasm or spark of living vitality that does not die or change in a million years of progress; it is microscopic in size but quite infinite in its power and capacity.

But looking upon the whole plan, extending as it has over almost endless time, creating million species to express living activity, there can be no doubt that a Master mind and a Master Workman was in charge of this development in some way similar to that by which we create the lesser work of building living forms of factories, ships and railway systems.

Although the mind fails to grasp the causes at work in the vast field of organic species, there is a difference when only one organism, including man, is being evolved in plain sight, and its history has been recorded in all its principal stages—the history of each nation.

The same natural laws and a similar immortal cellular cause has had control over the species of social organism. The fundamental standard of living and the fundamental growth of new functions and organs make advances in the social or-

ganic structure like advances were made in the line from the simple cell to man.

In the line of ascent the environment, made so important by Darwin in his theory of natural selection and survival of the fittest, was itself a product of that same development. No advance from a lower to a higher type could occur unless the highest type was able to live upon an ever increasing variety of lower forms, life can only be sustained by other living things.

The vegetation of the world, in its myriad forms, is an environment consisting of millions of living types, hence that environment was a part of the plan by which the higher animal species obtained a higher standard of living.

Eyes to see, ears to hear, smelling, hearing, tasting, each succeeding another, made for a higher and wider selection in living upon lower forms and increased the variety of pleasures the senses could give to increasing appetites.

The same route is taken by the development of shipping, commerce, railways, telegraphs, telephones and manufacturing which are living forms connected with the parent life of the body politic through a line of historic ascent among nations.

When a savage population appears, its living has been provided in advance, in the thousand forms of vegetation and animal life in the sea,

in the air and on the land, making a great diversity of living in different parts of the earth prepared especially for the needs of the human organism.

With the food supply on hand only a sparse population could live at ease on lands best suited for hunting or fishing, and increasing pressure from growing population forced new populations to migrate and to begin the cultivation of soil and tame wild animals to work for them.

In the soil, ready to enter into the material body of the social organism, the precious metals were early appreciated for their future importance with supplies of mineral and metal the social organism must use in its material structure.

We may ask why all this world turmoil through millions of years when one kind of life was ceaselessly destroying other life, and why, through tens of thousand of years of history millions of humans were engaged in killing each other only to evolve a higher standard of living than that of birds and beasts that seem well satisfied?

The life that gives activity to any form will lose its desire, and will perish unless the joys of living overcome the pain, the long advance from lower to higher types was to gather a stronger hold upon the desire to live in this material world, by vastly increasing its joy and happiness over its pain and misery.

The grosser appetites for food, multiply as higher types develop, but when man is reached

the same appetites are refined and demand quality where only quantity had been called for. Each joy is like a vibration on a string of a musical instrument that moves along what we call a nerve. Countless new strings of nerves were developed to play their music of joy and warn us by increasing pains, that life was in danger at the first approach of harm.

What has been developed in government, religion, education, the fine arts, or useful arts, machines, steam and electricity, was but to create a common standard of joy in living, create new nerve lines for the whole people which add enormously to the desire to live, to secure a joyful living common to all mankind.

But is this the end? Is a man only to consider joy and happiness? Whatever answer we may be inclined to make, we know of no man or class of men who will resist joy unless they are themselves dying and have no desire to live. The purpose of life, where joyfulness exists, means a preparation for immortality, one life after another upon this earth.

What civilization would bring forth is a man fit for earthly immortality, where death means only that youth may be constantly renewed by another period of living with a more highly developed personality, that will help along the superhuman plan by living one life after another on this earth.

How does the joy of living develop commerce, manufacturing, government, religion, education and culture all of which seem so remotely connected with a man's desire to enjoy himself, which forces upon labor great toil and sacrifice? By creating parasites who get most of the good things and force others to work for the sponger and thereby develop civilization.

As soon as savages learned to till the soil, its fertility gave a power to live without work. The joy of living at ease, and watching another man do all the work, soon became an overmastering passion for certain men who were able to enslave other men to work for them.

The men who became commanders of workers and took all the surplus for their own joyful living were what we call parasites who live by fastening upon the body of the worker, forcing that worker to give most of the luxury and joy of life to the parasite commander; these parasites enormously increased the number of good things the workers were forced to provide.

The world made its first advance, and continues to advance from classes of parasites who fasten themselves upon the workers seeking an easy and luxurious living for an idle class. By getting the best living, and all the leisure, the parasite class had the first advantage from any new forms of food the worker was obliged to provide and having had leisure the parasites also could develop

the first intelligence that came from higher standards of living.

Parasites early divide into two classes, those who rule the slaves by fear and punishment and those whom the slaves worship from the expectation of benefits to come. From these great divisions, in parasite species, the world advanced in two directions, one from love, and the other from fear.

The slave driver must subdue the savage and make a worker of an animal who had a hatred for all work inherent in his blood, a savage egoist seeking only the satisfaction of his animal appetites. The parasites who command the worshipful obedience of the slave, brought into existence religion, the arts, the family and the spread of affection and obedience.

The function of the parasite has been a great mystery in biology, it only being known that they are spongers upon the working cells, and in some way obtain command over them to secure an easy and indolent living, forcing the working cells to perform extra tasks if they are to live.

By control over the worker, the parasite forces changes in the food, which it may demand, for its higher standard of living and for its growing intelligence but it must not overstep the natural limit because the worker must also have a small share of joyful living and must advance more slowly along a line marked out by parasite control.

From this parasite control over production and distribution all the functions and organs of the body politic, farms, factories, towns and cities, and finally all the workers themselves are able to obtain most of the advantages that at first were only enjoyed by a small parasite class.

The parasite seems to obtain command over the worker by its ability to attach to some non-vital part of the structure, but to a part that is of the utmost importance in creating joy, which part consisted of an accumulation of fat, set aside as a reserve, from which the joyous sensations and appetites arise.

The parasite lives on select fat cells, that somehow control the pleasure nerve centers or influence them to play upon the nerves, such fat cells, being a reserve of vital force, from which the whole body enjoys rest from work, and recovers its muscular and vital power, they are the reserves of hope, of love and ambition, and unless the worker will increase the supply of fat over the amounts consumed by parasites, it will have no rest or joy in living.

Fat deposits control the organs of vitality and fecundity and regulate the supply of energy to all parts of the body, give pleasure to all appetites and control the pleasure of the five senses, hence such fat is of the most compelling importance in the advance of mankind.

The owner of capital, which is a fat deposit, from its collection of interest money, is able to live without work but is not necessarily a parasite. Units of interest money are the vital cells the parasite controls and such units may be and are designed to be of the greatest importance to the happiness of mankind. But while one class of fat is thus essential to all the joys of living, its owner may divert it and introduce a disease parasite, to become a disease building fat, instead of spreading joy over the whole body.

When the joy of living is postponed, the fat deposit will not increase the reserve energy, but will consume itself in merely piling up more diseased fat, such disease cells are seen in interest dollars giving vitality to a debt which becomes the cause of all manner of other diseases which the body seeks to avoid.

It is quite difficult, if not impossible, to observe the tastes and manners of a microbe under the microscope, but when the field of vision is multiplied by some millions of diameters in the social organism, the tastes and manners of a parasite millionaire or other parasite class is more easily recorded.

The rise of the rich, as a class, makes the romance of history, for this class became the foundation of kings and dynasties, the owners of capital and wealth, the commanders of armies, the controllers of the fertile lands, owners of all

labor could produce above its own living. Manufacturing and commerce developed to supply rich land owners, merchants and bankers, with classes of goods the workers could not then hope to enjoy, but which, in later times, have given a common luxury to millions of people which kings did not have a century ago.

The commanding savage, as soon as a tribe obtained a settled existence, secured the best lands, became a noble and made other savages, conquered in war, his slaves instead of taking their lives as was the savage rule of warfare.

By forcing slave labor to develop the best lands and to do other work, to serve the luxury of a parasite class, the total living enormously increased in both quantity and variety, population grew fast and furiously expending itself by incessant wars over the rich lands, wars between parasite classes—"A rich man's war and a poor man's fight."

Slave labor, under the lash of parasite commanders, developed shipping and commerce, made great estates upon rich lands, built towns and cities where art and industry flourished, invented machines, improved harbors, discovered science and made inventions. Slaves were warriors, teachers, merchants, painters, artists and architects, for the exclusive benefits of parasites, but later to benefit the whole social organism.

The failure to obtain joy money by labor, comes from a failure of labor to get its share of fat, which means a rate of wages having a fat surplus above the standard living which is fixed for the social organism. There is no failure in the supply of joy producing dollars, and no reason why the rate of wages should not rise to give the surplus of fat, except the fact that a disease takes the fat dollars for debt to bring about misery, instead of allowing fat to increase the joy of living for the millions.

We may imagine how a slave submits to his master when the master controls the living of the slave, although he may no longer whip or otherwise drive him to work. When the favor of the master may make living an easy and joyful one, or a life of misery for the worker, he will be a slave commander with slavery abolished by law.

The two intense desires of each organic body that demand satisfaction before lesser desires are called up are the desire to live as joyfully as may be, and the sexual desire to reproduce the species, it is the satisfaction of these two main appetites that keep people aware of the blessings of existence.

The appetite for food grows with what it feeds upon, and when quantity satiates, then quality appears to refine the taste, and great systems of manufacturing, transportation and

trading grow to minister to appetites that merely enjoy the physical delights of living. The organs of sex and reproduction are at the base of all the higher desires, responsible for the love of children, for the establishment of the home, for order, for law and government, for education and religion, for music and art, for love and honor.

Give the parasite commanders a control over the joy cells they may direct the appetites, may direct the sexual and reproductive functions, thereby the parasite has command over the development of species, over the food supply for each higher type.

It is quite plain that one class of parasites is most beneficial, and it may be taken for granted that, by their command, life is made easier and more joyful for the vast body of workers, although parasites live without working.

Parasite commanders must themselves be directed along a fixed line if the natural order is to prevail although they only seek to gratify their own desires, but selfishly they may interfere with a general plan, and when they do so interfere they become disease breeding forces to endanger life, and force the other cells to fight such parasite growth.

We have no evidence of good parasite control over the appetites and reproductive organs that are vitally important to the healthy body, but we are becoming daily more familiar with what is known as disease breeding germs and microbes.

The disease germs are so minute that a thousand of them cover but an inch, yet they are so deadly that millions of human beings may perish in a week if they multiply and feed upon the vital cells. The scientific world is rapidly accumulating a great store of facts concerning disease breeding microbes, but we madly crave, and desire a knowledge, of the health and joy producing kind, so that we may have a serum to inject health and joy into the body rather than eject a milder disease to prevent a more fatal malady.

Disease germs seem to have the function of holding the developing and joy inspiring cells to their particular line of work, and unless the joy makers keep to their task the disease makers will destroy the entire species, and force a new start in evolution.

Disease germs have power to change health tissue into other forms that bring dissolution and death, by diverting the fat cells from their regular functions, but they may only do so when the other members of the joy family fail miserably in their duty.

The rise in civilization, from the lower savage types, to the more and more highly civilized and cultured, came from changes in the standard of living, which included highly developed foods, art, architecture, travel, electricity and the necessary work for vast supplies of capital which

created functions for the organism, thereby becoming a higher species.

Each advance from lower to higher type was made at a heavy sacrifice of life among the common people because it had to come by conflict with parasite classes that were a constant menace to each new advance. Although a class of parasite commanders would make a new type much more able to live, yet parasites so resist a change to the next higher that disease had to bring about the defeat of one parasite class and allow another to replace it for the next step of evolution.

The first great parasite class was military, appearing as a protection to the whole body, but soon developing its special germs, living in glory as spongers, without adding to the general welfare and efforts had to be made to curb the military structure, and fighting against the military caste, came as a disease of militarism which must be destroyed to make the state immune.

The most important truth recently developed concerning germ diseases is that the disease develops its own permanent cure in those who survive, by making changes in the blood by which man becomes immune for all future time to its more deadly effects.

The present mild diseases of childhood, for example, like measles and chicken pox were at one time terrible scourges of death among thickly populated savage tribes, and the suffering of our

ancestors, from such contagions, made the following races able to resist.

Each of our parasite classes carries its own cure, so that the body may overcome disease by making itself immune. The world is now seeking to abolish war by suffering from the the greatest war disease in its history, seeking to abolish the parasite war classes of the world and destroy military disease.

The church developed parasite classes in the same way which became a danger to civilization, time after time in history, religious wars, and reform religions were but an effort on the part of the social body to save itself and become immune to evil effects of a parasite church.

Thus the great disease that brings about a concentration of wealth, may destroy this civilization, as it has destroyed all former nations, it creates numerous classes of reform parasites in drink reform, vice reform and a multitude of others, by which a small body of microbes claiming superior virtue, get an easy living out of the disease breeding cells, while the main body struggles as best it may against pests of this kind in the hope of becoming immune by discovering the natural laws of progress and health.

CHAPTER 12

Landlordism

If the reader could go back into history and trace the evils of property in land in China, India, Egypt, Greece and Rome; into feudal Europe and down to modern times with its wars, slavery, the fall of empires, its crimes, poverty and misery, its mystery would remain for the land system of every country was the breeder of every parasite class which civilization was forced to battle and then endure.

The world is being confronted by a new standard of living after centuries of change. Parasite classes introduced steam power, electricity, factory systems and telephones, created new appetites and desires among millions demanding higher wages and greater markets. The difficulty is growing greater all the time to find employment for millions so that they may live at any standard, although the world is burdened with wealth.

The opposing forces in our civilization cannot compromise, the activity of production, railways, factories and lines of distribution demand millions upon millions of consumers to satisfy the machinery of modern civilization, wages must rise to supply our markets with consumers and

consumers must buy capital or civilization will fall.

By the laws and habits of every people land was always recognized as being the only real property—real estate—all else was subject to decay while the land remained a part of the imperishable earth, and when it was bought and sold it became more desirable than any other property; it was the least suspected of evil while creating practically all the troubles of civilization from parasite classes that thrived upon the fertility of farm, forest and mine.

Unless land is treated as private property it will not be cultivated or improved, the profit from its fertility, provides an easy living and the land owner becomes an impelling force that brings about the change from savage to civil life. Landlordism created slavery, tryanny, wars, poverty and crime.

Labor products must be private property if money is to circulate that will increase and distribute a higher standard of living. The problem to be solved is to retain the benefits of land owning and yet prevent land itself from having a value in money, based upon different locations or differences in fertility of soil or mine.

The value of capital is not measured like the cost of living by its being directly exchanged for an equal value in concrete money or by having a quantity of standard money to balance an equal

store of goods waiting to be sold; capital is measured by the amount of profit it may take from the sale of goods at a standard price in the market.

The money to build capital must be advanced from some source and cannot be returned until a sum equal to its cost has been collected in profits taken from sales of goods and ten or more years may pass before profits will return the cost of capital. The power to control advance money for building will solve our problem of private ownership and avoid the evils of property in land as we experience them now and in the past.

If the circulation of money is limited to that particular purpose; if no money may be had to buy land, and if land cannot become security for the future return of its own cost; if security for money advanced to build must come wholly from the improvements upon the land, then, in that case, land owning can do us no harm.

Every government should regard the circulation of money as being its most important duty and each government should provide as much money to develop lands or build capital as the fertility of the land will return within the interest period.

If a supply of money, to improve land, was looked upon as being of equal importance to the fertility of land itself, a great advance would be made in government and in the solution of social problems for all the benefits of capital would then remain, while land itself would have

no cost in money, debts could not arise and business would have a supply of money to pay for all capital or goods labor could send to market.

Had banking been established to encourage the rapid development of agriculture and capital, as well as commerce, had loans been made freely to meet the cost of improving lands without permitting loans to buy land, had the value of the improvement become security for money advanced to make improvements then no rise in value of land would ever have taken place, but capital itself would have advanced in price according to its fertile location.

It is quite plain in cities, that difference in fertility is shown by different heights and value of buildings, commencing with the most valuable in the business sections and growing less until buildings disappeared where the city merges into the country.

If every location was improved to the limit of its fertility, the skyline would grade from the highest and most valuable in the center to the less valuable at the outskirts, and buildings would sell at a price fixed by the income, without taking any of the income or any part of the selling price for the value of land.

The most important government undertaking is to provide money by billions to develop capital in all its branches, to improve millions of small farms, and to finance homes without permitting

a cost for land to take any part of the money holding all the income to return money advanced for purely building or capital purposes with no money to pay for land.

It is not expected that Governments should loan money or own capital, but merely act as trustee for the borrower and for the banking system. All loans must be made payable on demand, and the capital created must earn interest on two times the loan and two times its cost.

A loanable fund for commerce is required equal to the entire supply of goods passing from the producer to the consumer, which is revolving fund to be repeatedly loaned on the commercial market to distribute the living to the whole people.

No matter how great the quantity and variety of farm products or manufactured goods there should be no difficulty in meeting all demand for money to market goods, the profit from sales of goods should supply commerce with all the credit money it has any use for.

When lands must be improved with capital, at great cost in many cases, railway systems, canals, harbors, factories, mines, roads, cities, and public utilities the cost each year for new capital is expected to equal the cost of living, and a quantity of money is provided by natural law to meet that expense, but the way has never been discovered to use credit for capital as the credit for commerce is used.

There is no mystery about a revolving fund of cash or credit, it must be used over and over again, but it needs some elasticity so it will not remain a fixed measure but will allow goods to increase and allow population to grow from thousands to millions of men.

Manufactures can throw almost endless streams of goods into markets without regard to season or climate, and a form of elasticity is required to permit a limited quantity of cash money to keep pace with the expanding markets for goods while prices rise.

Cash may revolve as fast as it can be spent and earned and spent again, but unless credit can be used to expand the volume of cash it could not provide for increasing supplies without a loss of price, or take care of an increasing population without a decline in wages.

Every time cash revolves it measures the cost of labor, but sets aside a surplus from fertility of soil; a profit which will equal half the cash, and when cash revolves more than once a year it will set aside half its own quantity every time it revolves.

Property in land does not interfere with the circulation of cash because it also must get its income from the surplus fertility of soil, it cannot take any of the cash money, and for that reason its interference is all the more difficult to locate.

To enable cash to revolve more than once a year, it is necessary to spend the profit it creates as credit money and to add that sum of credit to the consumer's market; such profit will thereby generate its own quantity of credit money as fast as it is taken from the sale of goods.

When the cost of accumulated capital will equal the sum spent for a living in one year then capital will collect half that sum as profit and it will be returning its own cost in one year because the living will sell at two times cost and capital will thereby establish a base rate of profit of one hundred per cent.

This rate of profit of one hundred per cent will make each profit dollar equal to one cash dollar, and each dollar of profit will sell for one dollar of cash which is to say the money buying a living without work will equal the money that must be worked for to buy a living. With capital able to pay for itself once a year, the owner will discover that he may rapidly become very rich by merely spending excess profits to increase his quantity of capital which he will do wherever the fertility of land is open for capital development.

The limit in the total profit, being half the revolving cash, must in some way provide more credit money to supply interest and profit for the rapid increase of wealth. When the rate of profit is very high the increase in credit or elas-

ticity comes from dividing the rate of one hundred per cent profit or one dollar credit for the one dollar cash each year so that half a dollar credit will balance a dollar cash when capital doubles, or ten cents of profit will pay interest in one cash dollar when wealth accumulates until it is ten times the annual sum spent for a living.

Economic law measures capital according to the cost of living, and makes it depend upon that cost, at one hundred per cent profit, the quantity of capital, will balance the cost of living for one year with credit money then balancing cash, the amount of interest supplied will create as many credit dollars as there are cash dollars.

When total capital grows to become double the cost of living for a year, the profit of one hundred per cent, forces one dollar of cash interest to spread over two dollars of capital and the rate must fall from one hundred to fifty per cent.

The quantity of capital will thus continue to increase based upon the annual cost of living until the necessary reduction in the rate of interest will bring the increase of wealth to its limit, at which time wages should have risen to the highest rate the public is able to pay.

Capital will improve lands of less and less margin of fertility as the rate of interest declines, because credit money will accumulate faster than capital accumulates and this credit money will get no interest unless it develops new capital on less fertile lands.

According to this rule there seems to be no limit to the growth of capital and wealth except the limit fixed by a decline in the rate of interest, if cutting the rate from one hundred to fifty will double the quantity of capital, then cutting the rate from fifty to twenty-five will again double it.

Apparently the rate of interest could be cut indefinitely, be cut to infinitely small rates, with the quantity of wealth growing to infinitely great proportions, but the natural law must set some limit to the growth of wealth and to the fall in the rate of interest which is a limit between the finite and the infinite in the material world.

It should be clear as wealth accumulates it demands labor to maintain and operate it, railways, for example, when building gather labor from agriculture and other fields to change them into labor for railway systems when completed, and in doing so take more labor to operate and maintain railways than was originally used to build them.

The quantity of wealth will therefore find its natural limit when the labor consumed by rebuilding begins to lower the standard of living, in such case the order of progress would be reversed, for then capital would be defeating the very purpose of its existence, and the world would be going backward instead of forward. Wealth must stop increasing where it supplies the highest possible standard of living.

If capital may be selfishly increased to merely build great fortunes for the rich, it may grow in quantity by enslaving labor without increasing the joys or without benefit to the people, and in this particular Landlordism may work tremendous evil.

The natural growth of capital is an inspiring picture of the munificence of natural law, and natural resources, for the benefit of mankind, but the interference with this natural order, by the rise in cost of land has ever been the great curse of civilization.

Capital cannot collect its profit from the cost of living unless it increases the standard of living, creating new desires of every kind, not only from new varieties of food and shelter but, also from new social life, education, government, travel and communication.

If mankind is forced to work longer hours to maintain an increased total wealth, it will get little above an animal living, but as capital develops in quantity it must develop the machinery that will ease labor, will make the life of labor less monotonous, will create more and more intelligence, will give more rest and fewer hours of work while producing a greater total of product.

Unless wealth provides leisure it will have little value in promoting a higher spiritual life, or higher culture and on that account leisure becomes the chief concern of natural law, which sets a limit

to the decline in the rate of interest and a limit to the growth of accumulated wealth, the rise in cost of land would defeat this very vital purpose of civilization.

Leisures is something that must be bought and paid for. One must live while at ease and live at the high standard capital is expected to secure. Where is money to buy leisure to come from, and how is that money to be distributed so the great mass of people will share its culture and blessings?

When capital increases in quantity it takes more and more of the surplus from fertile lands and calls for more and more labor, if it was permitted to grow without limit, it would stop at a point where it would enslave labor, and at the same time give the owner of wealth nothing but the burden of managing it while its entire income was being consumed by its own cost of maintenance.

To avoid a catastrophy of that kind the natural law divides the rate of profit into equal parts so that half the income may be set aside as a rate of interest which will buy leisure and one half provide a sum of money to return the cost of capital.

Interest represents a certain quantity of money each year set aside to buy leisure, and it is a simple matter to calculate just how much leisure interest money is permitted to buy since it is limited by half the profits taken from the cost

of living or one-fourth the total living may become leisure, for the owners of all the wealth.

One-fourth total living set aside for leisure, is a rule which holds no matter to what level the standard may rise, and it will not increase by lowering the standard. Where the rate of interest is very high, when countries are newly developing and there is a low standard of living, the excess of easy living money may not be consumed but will be used to increase total wealth.

It should be quite clear that if one-fourth total living is set aside as a surplus to buy leisure, the cost of leisure must somehow be carried as a higher cost of capital, to stop the growth of capital at a point where it will carry the leisure money, and not go beyond that point.

The cost of easy living is forced on capital by its being required to collect a net income equal to two times its own cost, allowing one-half such income to be spent for an easy living while the other half is consumed in marketing capital and in reproducing its cost.

Capital has its cost of labor, and a cost of labor to maintain it, which labor must live at an ever increasing standard and on this account capital must carry an increase in wages as its own quantity grows. The increase in wages coupled with the decline in the rate of interest brings total wealth to a limit in quantity, so that growth stops at that line where the standard of

living reaches its highest level with the highest wages and this line is determined by the lowest point in the fall of the rate of interest.

Capital earning two times the rate of interest, selling for two times cost, will increase in quantity as the rate of interest falls, and the drop in the rate will open lands of a lower margin of fertility to be developed. This increase of capital from a fall in rate of interest should fully employ all labor, and send the wage rate to where the rise in wages will absorb the selling price of two times cost.

Two times cost is a double cost so as to provide the leisure money that has no cost to the spender.

One cost of capital is limited by the money that will buy a living for those who work and the other cost will buy a living without working. To keep this line distinct one cost of capital is paid for in the cash that must buy a living, by working, and the other cost is paid with credit money earned by past labor which has no cost of living to pay.

Our labor problems arise from the fact that the rate of wages may stop where it will only include the money that buys a living, and will not rise to a point where a surplus wage may buy capital and thereby include laboring men in a leisure class.

As capital grows in quantity, the fall in the rate of profit is brought about by the fact that

the cost of maintaining and building capital is taking more and more of the surplus labor not used in providing the living, leaving less and less labor to rebuild and operate capital.

If, for example, the lower limit in the rate of profit is ten per cent and half this or five per cent is the lowest rate of interest, the calculation for wealth, wages and profits in the United States would be as follows:

Taking statistics for the total supply of cash in round million dollars, and using only millions as units, the measuring cash is found to be five thousand million dollars, or five billion of primary money which is limited to paying the cost of living.

Five billion cash in the United States, with its highly developed industrial, railway and banking system, will turn over six times in one year and thirty billion dollars will be spent by labor for a living which cost fifteen billion dollars to produce and will create fifteen billion profit from which the owners of capital get a living.

The fifteen billion dollars profit collected from a cost of living, was mainly spent in the past to create three hundred billion dollars worth of capital, which labor must now work hard to maintain. If interest rates are too low the maintenance of capital will consume all its rent or other income by wear and tear, leaving no margin for living without work, or allow capital

to fall in ruin from want of repair when the owner spends the income.

If capital is to pay a net income of five per cent, there must arise an additional fifteen billion dollars of profit outside the cost of living, and this profit must come from the sale of fifteen billion dollars of capital each year for thirty billion dollars to create a new profit from the sale of capital at two times cost equal to the profit from the sale of a living and two times cost.

When the rate of profit falls to ten per cent, it not only measures a total capital ten times as great, but it measures the consumption of capital at one-tenth the total showing that thirty billion dollars worth must be produced and sold each year in the United States to maintain total wealth.

If capital had grown according to this natural law, if each location had created ten times its rent in value of capital with no land value, there would be no rambling shacks of cheap buildings on valuable locations, no ruins of three and four story buildings on locations that should grow structures twenty stories high.

Where the annual income is fifty thousand dollars, the cost of building at that location should have been a half million dollars or ten times the rent, and no building worth twenty thousand dollars should be permitted to collect two hundred and fifty per cent in rent.

The natural growth of capital would have been carried from the city to the surrounding territory by a similar improvement of small farms, and it is not hard to imagine how wages would reach the maximum level and include the value of capital at two times the cost with the earth an open shop for the builder.

It should not be difficult to follow out the tremendous money and other damage inflicted by a rise in cost of land replacing a natural growth of buildings on every fertile location.

Capital will not build unless it is able to collect two times the rate of interest, and when profits grow from the advance of civilization and from the increase in population, the rise in rents permits the best locations to collect from one to two hundred per cent each year upon cheap buildings of an old and lower standard.

The demand for more and better buildings should grow as rents increased and such new buildings should sell at twice cost, but the rise in cost of land takes up the gain from higher rents as the rate of interest falls, therefore capital is not permitted to grow to its natural limit because the cost of land takes most of the higher rents.

Land must be secured in advance of building upon it, or improving it, and the competition of builders for the most profitable locations, is based upon the actual cost of labor at the wages fixed by the cost of living. Land may keep advancing

as profits or rents increase and therefore wages cannot rise to balance the rise in cost of land or rise above a cost of living.

Unless wages do rise to include the price of capital at two times cost, the income of capital will finally be limited to a sum that will only pay for its own maintenance, and leave the owner an empty shell. How does it happen, therefore, that in spite of the rising cost of land capital was somehow permitted a very great development?

When the profit taken from the sale of goods is much higher than the sum required to maintain a small total of capital and when half the income will not be taken by the owner to live without working, then, given time, the excess profit will be used to increase the quantity of capital, for land owners, bankers or merchants, but that increase will stop when interest falls to its lower level.

The banker may safely loan money to build or to buy land, when the income will repay the loan in one, two, or three years. Speculation in land will help building, for when the rate of interest is cut in half the price of land will double provided it can get an income from a building that will cover the interest on its cost, allowing the excess profit above interest to support an increase in value of land.

When a country is developing its manufacturing, building railways, and increasing its popula-

tion, real estate booms soon develop from the rise in price of land brought about by a fall in the rate of interest which gives the builder and speculator an opportunity to borrow money to cover the cost of building and thereby increase the quantity of capital.

The cost of maintaining capital will rapidly consume the total income when the rate of interest is low, and as the land value mortgage demands interest based upon capital selling at two times cost, the time rapidly comes to every country when capital income will not pay, both interest and cost of maintaining it.

The principal of a mortgage can never be paid because there is no rise in wages by which capital may sell at two times cost and revolve a quantity of money to buy it, therefore wealth soon begins concentrating to the money lender.

The difference between what the natural law would give capital when wages are permitted to rise to equal its price at two times labor cost, and when the cost of land limits the wages to a living must be filled in by the increase of debts, until a crisis and panic appears, when debts must be liquidated to allow business to proceed on a narrow basis.

As was well said by a candidate for president in discussing an economic question "It is a condition and not a theory that confronts us," so with the rise in cost of land, the laws making land private property and laws supporting debts

make conditions in the labor and capital market as we find them, and how are we to overcome these conditions?

Dividing lands among cultivators fails time after time in the history of the world, with no benefit to the cultivators who must have markets in which to sell their supplies. Labor must have profitable prices in markets which will create capital, must have the machinery to work it and the leisure to develop a higher man than the brute.

CHAPTER 13

The Way Out

If nations at war may sacrifice billions of money, ten times as much capital, millions of men killed in the prime of life, to save themselves from an invading army, what may be urged against spending billions to save civilization from its own fall to save a people from the barbarism that must follow a failure to fully employ labor; to save civilization from the continued concentration of wealth that destroys every nation failing to solve the problem of distribution.

The cure for the diseases of society is work, and more work, to change slavish, poorly paid occupations into honorable, well paid creative tasks, to make labor share in the benefits of wealth. Each nation must create its own work for the labor of man, animals and machinery; it must reach markets all over the world and keep enough money in general circulation so that a permanent commercial prosperity will become the rule all over the world.

To find work in unlimited quantity and send wages to the highest point, to keep profits at the highest level, to circulate the utmost quantity of money and do all the business labor can supply, does not call for a socialist government, nor for

any radical change in any existing form of government, but does call upon us to remove the restrictions that debt and cost of land impose.

Billions of debts consume millions of dollars of cash interest each year, and thereby hold out of circulation the money debt promises to return to circulation in the future which should never have ceased circulating.

The natural law requires each dollar collecting interest to circulate once a year, and labor loses every year the billions that debts make dormant and idle, promising to be paid in a future that never matures.

If the debts of the world were suddenly paid, the money they promise, would bring tens of billions into the market in the United States alone, and would seriously embarrass business with an inflation of credit money.

But to make the billions of debts payable on demand will supply the market with credit as fast as it could be used, permitting wages to advance without inflation, and would bring permanent good times everywhere.

It is, however, too uncertain an undertaking to try and educate the people to change the present system of debts into a new system of doing business on a cash basis and wait on that change to solve our problems, hence, it becomes the easiest way to leave old debts alone for the time being and concentrate attention on doing new business on a "pay as you go" basis.

The way out is to somehow increase profits by employing more labor, by giving more and more profit to production, to open greater and greater fields of activity, until the money now held out by debts is bound to return to general circulation by building a better and more beautiful country to live in, offering a better security than present debts and thereby make bonds and mortgages obsolete.

Government in the near future must change radically from its present form, its laws need not change radically but its representatives must become trustee to guide new expenditure involving sums that are only comparable to the cost of war.

No one will dispute the conclusion that a trained chemist must command the work in his special field but in the more difficult field of applied finance and industrial growth any Tom, Dick or Harry that happens to be elected to office is expected to suddenly become Heaven endowed with a special fitness for government service.

Although men of trained knowledge and experience are found in every business and industrial field where power is lodged in the hands of one man, yet in affairs of state where more vital power must be lodged in the hands of man there is a minimum of training or technical skill, and a surprising ignorance, incapacity and egoism, when it is not corrupt.

To solve present day problems the wages of common labor must rise enormously, not only to a high standard of living but must carry a surplus to pay rent and buy capital.

Such a rise in common wages demands billions more money each year be spent in the wage circulation, and billions cannot get into circulation unless some plan of spending is put into action, and that plan must find profit for every dollar so spent.

If the people of the United States can unite, sink all former differences of politics, theories of competition, free trade, taxation, monopoly, trust, labor, wages and money to save the country in a distant war, they should not fail to unite to save the country from a similar fate when that work will be a blessing to all concerned and be profitable.

We cannot remove old and hide-bound restrictions on business unless there shall come a unity of purpose to solve our problems, a purpose to finally settle the labor question when it has been shown that it will become a very profitable operation.

It would seem an easy task to call upon debts to return the money they promise to pay, and to prevent new debts being contracted in the future, because each debt is secured by two times its value of capital. Debts cannot be paid in cash, and the credit by which they might be paid is not on hand.

To pay debts with cash according to the contract, is utterly impossible; when the debt was created the borrower did not receive cash, but did receive a credit he could convert into cash, and we may again resort to the same situation, and pay in credit as fast as owner will need to convert credit into cash.

There will be no trouble in finding bank credit to make debts payable on demand, or to keep the country free from debt in the future, to do business on a cash basis.

Business on a cash basis means much more than will appear at first sight, there will be no competition in a market where all the goods that may offer will find buyers at a profitable price; every price will become a monopoly price, the highest price the market can afford to pay. In a cash market there will be no labor competing for work because the demand for goods and capital will be insatiable; all that labor can possibly produce may be sold at a profit, wages will therefore rise to the monopoly level and prices will rise to an equal monopoly level under the control of natural law.

Tens of billions now a cost of land must be converted into higher wages. Before land value can change into higher wages it must become the value of a labor product, and by the sale of that product must supply more wage money, hence land value must first be converted into a selling

price of capital above cost before we solve the labor problem.

New buildings and improvements upon land running into tens of billions of dollars must be so financed that they will force, what is now a cost for land into the selling price of an improvement upon the land.

Applying this rule to present buildings, few structures have a labor cost equal to the value of the land under them, and a mere change abolishing debts would at once transfer present land value into a higher selling price of a building, where the building value was equal to the land value.

In cities, most of the valuable building sites are encumbered with disgraceful ruins representing a very much lower order of growth like that of a reptile compared with a man. This type of building must be replaced with new structures allowing each site to grow all the building its fertility or fecundity will supply with vital profit.

Third Avenue, for example, in the city of New York from the Bowery to the Bronx, nine miles of business structures, has no more than a score of buildings that represent the fertile power of each site to grow capital, and such an avenue must be completely reconstructed before the land value may change into a higher selling price of its buildings.

This is just an example of one street, to illustrate that New York City must be rebuilt from its cellars, and what applies to New York City applies to every city and town, and to the country extending in a wide circle surrounding every city, to mines, and to other natural resources.

The new building program provides the work and more work that will cure the ills of labor and capital, and in view of this enormous task it should not be a difficult problem to find work for all the labor in the world at the maximum limit to wages.

When an estimate is made of just how present owners are to build beautiful buildings, on the site of ugly ones and receive more rent for each one hundred dollars spent, many difficulties arise, in problems of administration and finance.

The first problem concerns the small narrow lots now occupied by three, four and five story tenements that must give way to modern steel and elevator buildings each of which require an acre of ground for the required height to give ample light, to give room for approaches and beauty of architecture.

The owner of a small lot must not interfere with the greater building that will include his site any more than he may interfere with the improvement of the street in front of the building which is for the benefit of the property on either side.

The modern street improvement was changed from being a private improvement in the hands of abutting owners into a public improvement over which the abutting owner had no control, but the abutting owners were required to pay for the street improvement because it increased the value of each property.

In rebuilding a city the same rule must be followed, the owners of small lots, abutting a street that is to have new buildings line its sides, must not determine the character of the buildings on their respective lots, any more than they determine the nature of the street improvement, but they must pay the cost of building because they will get the benefit by owning new structures worth two times cost.

A city must have power to combine the small holdings into the site required, be it fifteen or twenty lots to make one building site, and then apportion the benefit from the new building to each owner like street improvement benefits are apportioned; to give each owner of the site his proportionate part of the new structure.

The second difficulty is that about seventy-five per cent of new building in a city must provide homes for its millions who work in the central business districts, but who now live in miserable tenements. New homes must provide all the comforts modern science can give, and make living in the center of the city as comfortable for home owners as it is for guests at the hotels.

To build modern tenements, or apartments successfully, each tenant will be required to pay three or more times the rent an ordinary family is now able to pay, therefore, wages must rise to pay the higher rents which give conveniences and utilities, hot water, heating, lighting, electricity, elevators, and the like and to do so four or five hundred families must be under one system of housing, requiring large sites and tall buildings surrounded, however, by ample open space.

We inquire why wages are now too low to pay rents that would make billions of dollars in new building profitable, and we discover the fact that the demand for labor, from such new building is necessary to raise the rate, and, therefore, labor must now live in miserable tenements because his wages are low, but his wages are low because we persist in forcing labor to live in miserable tenements.

New building must be carried on with an activity like preparing and prosecuting a war, a similar unity of plan and purpose must inspire a people to undertake enormous industrial problems, to solve the labor problem and abolish poverty.

How are we to find the money to anticipate its own return from rents and higher wages, billions of dollars to finance as much new building as we may find labor and material to build, and for as many years as it will take to change the old order into the new civilization?

Money to do new building must be supplied by city, state or the national government, must come from an issue of securities based upon each structure, the new capital must not only provide for returning its own money, but also provide a reserve to redeem securities on demand, keeping them in all respects equal to bank deposits, when redeemed to be again sold to replenish the reserve.

When cities were laid out and surveyed, farm lands were divided into building lots, and each small lot was expected to hold one family in a single home with a small front lawn and back garden.

As population continued to grow from town to city conditions, business made demands upon the lots near the center of growth and it was then expected to keep spreading small lots into the country where unlimited farm lands would supply space for single homes for all the people.

Central business lots sold at rapidly advancing prices owing to the profits collected from increasing trade and from an advancing standard of comfort and luxury. The small lot plan began to prove a burden rather than the blessing it was supposed to give, forcing new population to crowd like cattle into miserable tenements.

The development of science and machinery, the building of railways connecting cities, rapid transit within them, all had a wonderful effect upon city population, it was soon evident central

locations could no longer be spared for single homes, and the working population was forced miles into the country away from its work or into death breeding tenements.

A city feeds its own population by manufacturing goods to send to the country and exchange for food and other supplies, it does not live by trading as is commonly supposed, its trade profits are consumed by capital, which cannot long suffer loss of time and money from sending its vast army of labor over millions of miles of useless travel every night and return every morning.

To overcome the loss of labor, far from working places, thousands of families are crowded into houses built upon narrow lots, where the crowding deprives a family of the light and air and other comforts a single lot would have supplied.

If a lot twenty-five by one hundred feet is required for the single family in a small town then when city apartments rise into the air for twenty stories or more this unit for each family must be maintained, either by the design of the building or in connection with open spaces and small parks adjacent.

The change, from single dwellings for one family, into four, five and six story tenements for twenty or fifty families in crowding the population as a city grows is at first profitable for the house builder, because the lots are secured at a low price, but that profit, is quickly lost by the

rise in cost of land, and then such miserable buildings fail to house the city people.

Every city now faces a distressing housing problem and must soon adopt measures to meet a serious condition, must destroy the present system of narrow tenements. The high cost of land does not arise from any scarcity of land in a city, but arises wholly from not building to the height each location pays for with the rent it collects or should collect.

If the land on Manhattan Island, now containing one-third the population of greater New York City, was built upon to its economic limit of sixteen floors instead of only four the gain in space would give room and land to waste, using only one-fifth the building ground.

Steel frame elevator buildings cannot be given light, air, nor beauty of structure unless they have ample grounds, and unless each building is entirely separated from another. Among groups of every four such buildings, one equal space must be reserved for parking and for additional light and recreation ground.

When the individual owner of a small lot may demand any price before ten or more lots can be secured for a site, he may set a wholly impossible price on his one lot and destroy all hope of profit from a new building, and thus a one little land-owning microbe stands in the way of the progress of a city.

The world must solve its poverty problem by entering upon a vast constructive program that is only comparable to the enterprise of a world's war victoriously won, conduct an equally important war against poverty and misery, vice and crime to be as victoriously won.

Social problems will be solved after the present cost of land is taken away, when its weight is lifted from the business of the country, when the demand for labor will rapidly convert a cost of land into a maximum rate of wages after first changing land value into capital selling above its cost. Civilization comes from upbuilding the country and not by destroying its essential laws, customs and institutions, its capital or its property. We must move forward by work and not by vain talk; not by milk and water reforms which have no connection with the main subject.

In every city, enormous land values are found under buildings that are rotten ruins, decayed tissue, and rows and rows of such buildings, like rows of rotting teeth are exposed to every sight seeing traveller on every street.

One hundred, two hundred, and five hundred per cent is collected in rents from old shacks paying their cost two or more times each year, which shacks have been returning that cost, at the same rate for twenty or more years.

Where the present building rent is fifty thousand dollars a year and a twenty thousand dollar

building is collecting that rent we have in plain sight a spot where a new building costing a million dollars will be able to collect a hundred thousand dollars or more in rent, and give the public five or more times the space for twice the rent.

Natural economic law calls for rebuilding every great city and to have improvement extend for miles outside with small farms on lands now largely waste.

The required margin of profit in the new work will come when land has no value and when improvements sell at two times cost; the new progress is not expected to succeed as a work of charity or benevolence.

What is now a value of land must be included, absorbed and taken up by improvements selling at two times cost, and should an owner fail to so build he will lose the land value, as soon as the debt system is abolished, as soon as a cash market is established making capital as liquid as commodities are now.

The great awakening must come by constructive work, by creating the greatest period of prosperity the world has ever seen, where the markets of the world will consume and will demand all that labor, capital and machinery can supply, at a profitable price.

In the beginning, the plan of construction will be handicapped by the prevailing low wage rate

that cannot pay rents and new building must therefore be first confined to a class of renters who now have an income above the wage rate, and who can pay the rents on new capital which select locations must have.

The plan must start along lines of least resistance, to supply a class of capital now in demand, which cannot be supplied on account of land selling at from five to ten million dollars an acre.

When high priced land is open to the builder without paying millions of advance money great plans for single structures will be executed where the required rents can be secured from present income, and before the wage rate will advance to its normal and natural level.

Fit round pegs into round holes, by making every parcel of land grow the particular capital its location demands for different classes of wholesale, retail, and manufacturing business with dwellings among them, so arranged that the workers will live near their work and will also live near centers of amusement, education and recreation, giving to each location its natural growth of capital; that is the great business of the coming age.

The laboring classes are not to have homes built as a matter of charity and benevolence, cheap rents to meet low wages, for it is the last class in the world to need favors and privileges if the laws are just. Building must be undertaken

with the full understanding that the natural rate of wages will permit a laborer and his family to live where it may enjoy the luxuries and comforts which modern science and machinery will supply.

The old structures first to give way on the most valuable locations may perhaps be best illustrated by two examples in the New York City, as being a place where the best ground with the worst buildings upon it may be found, in all the world.

There are two typically disgraceful blocks in that city on Broadway immediately south of the Metropolitan Opera House fronting Broadway, and Seventh Avenue near the great Pennsylvania Railway Terminal and bounded by 37th, 38th and 39th Streets.

Each of the locations is entirely surrounded by streets and contain a little more than an acre, two hundred by about three hundred feet and are now "improved" by low cheap one, two and three story buildings and two lumber yards, the most valuable land property in the city for general use.

Under a cash plan the city would call upon the owner or the combined owners to present plans for the proper improvement of the site, being willing and ready to supply the cost provided the proposed buildings are satisfactory. The owner failing to build the city should have the power to build from its own plans and charge the cost to the property benefited the same as building a street.

At this particular location we meet an important proposition, namely, what kind of a building will rent so that the cost will return in ten years, and it will speedily be admitted that hotels, department stores, theaters, office buildings are not to be considered at this location because the demand is now supplied.

The ground floor on Broadway will give the first and best rent, and that may be readily and safely estimated as so many dollars per square foot per annum, in this case will be no less than fifteen dollars per square foot, three-quarters of a million dollars a year, for stores fronting Broadway and Seventh Avenue on one acre location, and one story high.

The next question to be decided is how high above the street the building may rise to a point where the rent will diminish until it is no longer profitable to go higher. It will be discovered that when rent falls from fifteen dollars a square foot on the ground floor to two dollars a square foot per annum on the upper floors the limit of economic height has been reached.

In the city of greater New York, with its population of about six million, there are about one million families of working men and women who must depend upon a wage income, and this million families, or most of them, need to be provided with homes supplied by great apartments each having four hundred families or more.

Besides homes for the workers there must be a general reconstruction of business and manufacturing as soon as the cost of land is eliminated and when finances are arranged to supply unlimited money for fertile locations.

The cost of land will go by the simple process of forcing the present owners to do the building, by not depending upon a new set of buyers to pay for land in advance of building; by treating the present owner of a mortgage as a part owner of the building, by exchanging the mortgage for a better security in a new structure.

The moment estimates are made for housing the population and business of any section, using the land to its capacity, the surprising fact develops that land is not scarce and should not have a price. Buildings suitable to each location have been scarce, and the value of land came from a scarcity of suitable buildings and not because of any failures in the supply of land.

Manhattan Island, for example, when properly developed, will find land as plentiful almost as the air, with three times as much space for other uses than buildings for light, parks and recreation grounds.

When the sky line of buildings rises to a height of twenty floors on Manhattan, two thousand acres will house all the families that now live on the island with a total acreage of about 15,000, one-third of which is required for streets.

Unfortunately the land reform problems have been treated as being almost wholly agricultural, to obtain farming and grazing land for actual cultivators, leaving out of consideration the important lands under cities where half the wealth of the world concentrates upon an insignificant part of its surface.

Land reform must begin in the central districts and tenements of great cities, profits from land all over the world will mobilize at city locations to create and sustain the world's wealth, and from cities the benefits of wealth will rapidly spread into the country, in wider and wider circles having a city as the center of consumption.

Natural economic law demands a cash market as the supreme commercial reform as the foundation for all culture or art, science, religion and morals.

Civilization has its end in view in a standard of living which is both material and spiritual for the survival of a man who is fit to live an immortal life on this earth, to live a happy and human life over and over, time and again.

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